

SportPesa: It's Time for This Kleptocracy to End Kenya's Billion Dollar Sport Betting Curse

By Lionel Faull



Today, *The Guardian* publishes an investigation we have carried out with them into Kenya's biggest betting company, SportPesa. With its name emblazoned on the shirts of Premier League club Everton FC and a Formula One racing team, SportPesa is Kenya's most powerful gambling firm - operating in a sector that sucks \$2bn from Kenyans every year.

Its shareholders include Bulgarian businessmen, one of whom, Guerassim Nikolov, has a background in casinos and about whom historic concerns were raised in the Bulgarian media, which he vehemently denies. Its corporate structure is opaque. Our reporter, **Lionel Faull**, worked with [Bivol](#), the Bulgarian investigative website, and *The Guardian*, to examine the inner workings of SportPesa. That piece is [here](#).

Lionel also dug into the effect the gambling epidemic is having on Kenya's youth. Here he reports on how one student activist became a victim of gambling addiction but who is now spearheading a campaign to bring about meaningful regulation. The activist also wants to see there is proper treatment for the hundreds of thousands of young addicted Kenyans who need help after having been lured into betting away money they can ill afford to lose.



As part of their lucrative five-year deal with SportPesa, Everton played a pre-season match in Kenya this month

In 2017, a poll of African millennials revealed that Kenya's youth are the biggest gamblers on the African continent.

A year later I prepared to travel to Nairobi to research a story about SportPesa. We at Finance Uncovered were interested in its stunning success. Founded and run by politically connected Bulgarian businessmen in Nairobi in 2014, it is now the biggest of Kenya's mushrooming sports betting companies. And as we report with the Guardian today, so successful has it been exploiting the gambling craze in Kenya it has opened a European headquarters in the UK.

While investigating, I was struck by the almost total lack of any comprehensive data about the wider industry in Kenya and its millions of punters.

Sure, multiple news articles celebrated the rags-to-riches tales of jackpot winners, some of whom just as suddenly revert to rags. Others narrated horrifying individual anecdotes of gambling addiction, depression and suicide.

The gambling regulatory authority's online presence amounted to a single sub-page of the interior ministry's website and there was seemingly no organisation offering tailored counselling to problem gamblers.

It was as if a vast, silent vacuum had settled in the gaps between the sports betting billboards which peered down on Nairobi's scurrying pedestrians.

Finally, someone referred me to a gambling awareness website which was run on a volunteer basis by Nelson Bwire, a 24-year old economics student at Kenyatta University.

"A way of life"

I took the highway north out of the city to Bwire's campus, past the football stadium that had recently welcomed English side Hull City FC for a SportPesa-sponsored exhibition match against

Kenya's top club team, Gor Mahia.

As we strolled along the university's shrub-lined walkways, Bwire told me how he became addicted to sports betting.

It was 2013 and he was fresh out of high school, hanging out with mates and killing time on PlayStation.

One of them boasted how he had won money on a football match and showed Bwire how he could send cash via the ubiquitous mobile money platform M-Pesa to a website called JustBet, the only online sports betting platform in Kenya at the time.

"On my very first bet I put in KShs200 (£1.50) and won KShs4,800 (£35)," Bwire recalls. "I bet on four teams to win. I'll never forget them. It was Swansea, Stoke, Arsenal and West Brom."

The win was both a blessing and a curse: "It got me thinking this could be a way of life. It was a good experience, it seemed like fun. You could watch your team playing, and actually earn money doing it."

"You want to become rich, doing nothing. You want shortcuts in life, and that's your shortcut.

"As I continued betting, everything increased. The amount of bets, the amount of money, the amount of time. With friends, on my phone, with the room-mates I was living with. Most of us used to bet.

"After about a year and a half, I began to realise that none of us had money because the money we had, it goes to betting."

Bwire estimated that over the 18-month period he was an avid gambler, he spent around KShs100,000 (£750) on football bets. To put this spending in context, his annual course tuition fee in 2015 was between KShs100,000-120,000 (£750-£900).

"The money I was betting with came from previous wins, pocket money from my parents, and other side jobs I was doing," he explained.

"Loan sharks"

By late 2015, Bwire recalled that many sports betting companies had burst onto the scene, including SportPesa, and were advertising "vigorously" across Kenya. They were also active in and around the university, handing out flyers on campus and in the neighbouring estates where students live.

"I started to read stories in the media about people committing suicide, people gambling their fees, their rent money. And you also see the kind of life that gambling is sucking out of you. You are waking up and all you are planning is to bet. Whatever winnings you have in your betting account, you don't even consider taking it out. You use it to bet again. It reached the point that I just called it quits."

He also noticed how gambling was taking over other students' lives. "You would go into the computer labs to do some research, or finish an assignment, and you would see screen after screen where students were just browsing sports betting sites," he said.

"Students were borrowing money from loan sharks at predatory interest rates to fund their habit, and handing over their laptops or their national identity cards as collateral."

Problem gambling

In 2016 Bwire initiated a campus-wide survey to gauge the extent of gambling among his fellow students.

It found that half of male students and one-third of females surveyed bet more than once a week; and that nearly half of all respondents admitted to one or more signs of problem gambling behaviour. [see sidebar].

He later wrote a proposal to the university about how to tackle problem gambling on campus and launched a gambling awareness campaign working closely with student counsellors.



Nelson Bwire (second right) with fellow gambling addiction awareness activists and student counsellors, Kenyatta University, Nairobi, Kenya (July 2018).

“Gambling is not something that I would want to see banned. No, I don’t take that hard line. But I think people should be aware of the risks and take responsible decisions,” Bwire said.

Soon to be an economics graduate, Bwire mused: “Right now Africa is growing, yes. But gambling problems will suppress African growth. The capital flight of gambling winnings that are going from Kenya to other places, that money should be in people’s hands. It should be in entrepreneurs’ hands. It should be in students’ hands.”

Shifting ground

Exactly a year after speaking to Bwire, I took the same road out of Nairobi, past the same stadium preparing to host another SportPesa-sponsored exhibition match, this time featuring Everton FC.

A hundred and fifty kilometres beyond the capital, deep in the countryside, SportPesa’s blue-and-white branding is plastered all over humble general shops in small roadside villages.

While SportPesa is the biggest player in Kenya, there are several others such as Betin, Premier Bet, 1X Bet and the UK-based Betway, which sponsors West Ham United in the English Premier League.

Huge billboards for betting companies greet you as you drive into bigger towns.

The inside sports pages of the newspaper I bought are filled with betting adverts, giving the day’s odds on matches from minor leagues in faraway countries.

But, after half a decade making billions in a largely unregulated environment, the ground is shifting underneath the betting industry’s feet.

A Gaming Bill has been introduced to Parliament that would overhaul a regulatory framework that was originally drafted in 1966.

Fred Matiang’i, the interior minister with a bulldog reputation, has given betting companies a month to settle their tax bills.

Citing a statistic that half a million Kenyan youth have been blacklisted for borrowing money they cannot repay, debt which Matiang’i attributed mostly to the betting craze, he declared: “This is a sector we must regulate.”

Last week, Matiang’i made good his threat when the betting regulator suspended 27 betting firms’ operating licences - including SportPesa - for alleged non-payment of taxes.

Safaricom, the mobile phone company which processes most of the mobile money transactions used to bet, was ordered to withhold their services to the blacklisted companies, and punters were given 48 hours to withdraw their money from their betting e-wallets.

The directives are thought to affect the majority of Kenya’s 12-million betting account holders, interrupting the flow of an estimated \$2bn annually from their pockets to the industry.

SportPesa and others have protested vehemently, publishing their most recent tax compliance certificates in the press. SportPesa also pointed to a court order it obtained allowing it to continue operating pending finalisation of a dispute over payment of a percentage of punters’ winnings in tax.

Responding to suggestions about the rise of problem gambling in Kenya, the company told The Guardian it was a socially responsible business that placed a priority on local sports and community

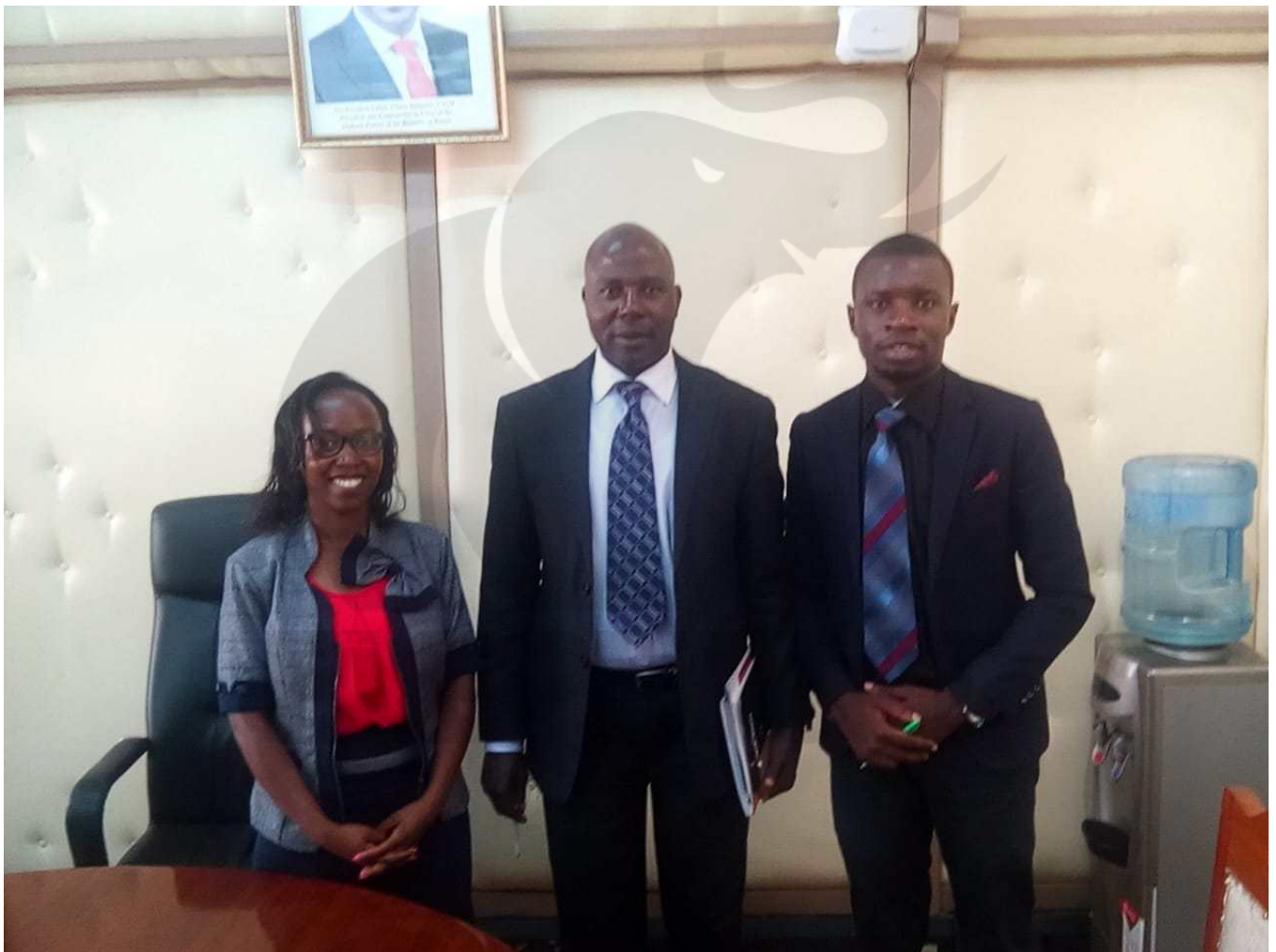
work.

In the midst of this febrile atmosphere, I give Bwire a call to find out how he's doing and what he thinks of the clampdown.

Bwire has now left Kenyatta University, his graduation ceremony is later this month.

He continues to run his gambling awareness campaign on a part-time voluntary basis, but since we last spoke, his ambitions have grown: he is now preparing for it to go national.

He has registered a company, the Gaming Awareness Society of Kenya, and held a series of meetings with the betting regulator, urging them to introduce a countrywide gambling awareness campaign programme.



Nelson Bwire [R], founder of the newly-registered Gaming Awareness Society of Kenya, with Oluoch Ngicho [C], chief gaming inspector with the Kenyan Betting Control and Licensing Board (BCLB), and a colleague (February 2019)

He is also partnering with a UK software company, Betban, to offer betting website blocking technology to universities; and approached one of Kenya's largest nationwide network of counselling centres to introduce gambling addiction counselling.

But he is sceptical of the regulator's motives for the crackdown: "If they were doing this in good faith, you might see some gambling addiction centres, some clinics, even just a little awareness created ... they are just doing that for the tax."

Bwire is echoing other commentators who see the directives as a thinly-disguised tax shakedown targeting the industry on behalf of the Kenyan revenue authorities and treasury who are under pressure to close a widening fiscal gap.

At a traditional wedding last weekend, President Uhuru Kenyatta referred to the crackdown explicitly. He said: "The firms should stop threats that they will move to court. The government must get its share [of tax] to fund activities that are beneficial to this country."

This may not impress SportPesa's owners, one of whom - as we report with the Guardian today - has been a major financier and fundraiser for Kenyatta's Jubilee party.

"Those in the betting companies are our friends," Kenyatta reportedly said, "But we have to agree that the government must get its rightful share to build cultural centres and other developments."

But Bwire believes taxation is not going to dampen the public appetite for gambling, because "addicted gamblers will still gamble".

He challenges the government to take a holistic approach, including addiction awareness and counselling.

"In this game of betting, they can't only be a referee. People get injured in this game, and so there needs to be awareness about that, and doctors available too."

Last year a new government body was set up, the Sports, Arts and Social Development Fund, to oversee the allocation of taxes specifically raised from betting.

Gambling taxes have reportedly already swelled the fund to around Shs15bn (more than £100m). By law, this money must be allocated to national sports teams, cultural facilities and the government's universal healthcare pledges, as well as to unspecified "government strategic interventions".

The fund took months to become operational due to political wrangling over who would control it.

In a country that many have argued is a kleptocracy, it remains to be seen whether any additional tax the government squeezes from the betting companies will fund gambling addiction awareness or rehabilitation - or instead disappears down the Nairobi drain.

Student gambling

In 2016, a few years after Kenya's largely unregulated mobile phone-enabled sports betting craze took off, Bwire and his fellow students produced the first dedicated survey of betting among the youth.

They polled 373 students at Kenyatta University, roughly 0.5% of the university student population (78,000).

Although the sample size was relatively small, in the absence of comprehensive data about Kenya's betting craze, it represents an important contribution to the public's understanding of its prevalence.

Some key findings were:

* Nearly half of all respondents admitted to one or more signs of being at risk of problem gambling behaviour:

- 50% said they needed to gamble with increasing amounts of money;
- 30% said they were preoccupied with betting;
- 20% said they gambled the day after a loss in order to recoup it;
- 20% reported making repeated unsuccessful efforts to stop, or cut back, on gambling; and
- 3% said they had committed an illegal act to finance gambling.

* Most respondents said they started gambling aged 18-19.

* 68% of male respondents and 47% females said they gambled weekly, or more than once a week

* 7% of male respondents & 2% of females reported gambling daily

* Two-thirds of respondents spend up to KShs1,000 (£7.50) per month, one-quarter said they spend up to KShs5,000 (£40); and 5% of respondents said they spent more than KShs5,000 on gambling per month.

* 72% of all respondents saw gambling/betting as a way to make money; 40% said they saw it as a source of fun.

* 70% of respondents had gambled in the preceding year.

Read the report [here](#).

These statistics broadly mirrored the headline findings of an often-quoted 2017 survey by GeoPoll on the leisure and spending habits of sub-Saharan African youth, which found that 76% of Kenyan respondents - the highest in the continent — had tried gambling.

Kenyans also spent the most money, about \$50 (£40) monthly, mostly on football bets. The majority placed a bet once a week.

This article was first published by [Finance Uncovered](#).

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