EXPERT COMMENT

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Finding the Off-Ramp

As the dust settles, it is crystal clear that President Kenyatta pulled off a serious political victory. The President's team out-thought, out-spent and out-manoeuvred the opposition at practically every turn. Kalonzo Musyoka's intemperate remarks that Central Province should lie low like an envelope just 24 hours before the vote surely dialled up the vote in Jubilee strongholds. Mr. Odinga's call for rent controls put every owner on notice and I think that too was an ill-advised call and underestimated the "ownership" economy. There are many Kenyans today who after years of graft own a piece of the economy and they surely got nervous. It is time now for the opposition to skip a generation, and this is said with humility. It is also time for the opposition to appreciate (once the trauma of losing subsides) that there are two audiences. The first audience is its own supporters, the second is everyone else. If you are going to argue the case that a cyber crime was committed then for goodness sake find someone who can make that argument credibly.

In fact, the election had the potential to produce quite a bifurcated economic outcome. Kenya stands in the vanguard of free market economics in Africa, it has taken more than 50 years to establish our credentials in that regard. An Odinga administration would have taken a leftist tilt and the markets naturally were more aligned with President Kenyatta and hence the very positive market reaction; The stock market gained around 5% last week and Kenya's Eurobonds had their best week in 2017. We need to build on that positive momentum to crowd local and International investors into Kenya. What we have learnt is that 5%-6% GDP growth (whilst better than most of Africa) after being diluted by population expansion is not effecting meaningful trickle-down. It was this fact (re-characterised as a refrain "You cannot eat GDP") which the opposition failed to leverage, to their own chagrin. Therefore, we have to find a GDP Off-Ramp, one where the economy speeds up to 8% and more. Kenya has to dash for growth, that's a sine qua non for the next five years.

President Kenyatta has to be Saint George in his second administration and slay the corruption dragon. I recall a period in 2002, when citizens performed citizens arrests of policemen (for asking for bribes) and marched them to the police station. It was a remarkable moment and shows that it is possible to do something. A big effort on this front would release at least a $1b and more per annum and juice the GDP move towards 8%. The President needs to consider how to recapture that cathartic moment that we witnessed in 2002.

Infrastructure spending like the railway was absolutely necessary. If we are serious about entrenching our pivot/transit state status (i.e the Route to the Sea and the global markets for a number of adjacent states) then we absolutely needed to make these big-ticket investments in the railways, the roads and the ports. Already President Magafuli has proven a fierce competitor and his recent oil pipeline win shows that. So these investments were necessary. Many commentators in my opinion have underestimated the positive economic spill-over effects that will arise from these investments.Today, companies can tap into cheap power (Geothermal is one example), they can situate themselves close to the railways, they can export goods via the railway to the sea and to a 3b people market on our doorstep in the Indian Ocean economy let alone the globe. We have a vast reservoir of good human capital that is hard-working and these all are the magic ingredients for creating a "Mekong Delta" economy that becomes an accelerant.

Debt is an issue. Its blinking amber. We can argue that at a ratio of around 53% Debt-to-GDP we are comfortably within 60% (which was the Maastricht criteria for the European Project, for example) but we have now run out of headroom. We will need to eat more delicately at the debt table. We will have to sequence our big dreams. We cannot do everything at once. How we manage our debt will be important in the 2nd term. We need to aggressively interrogate ROI (Return on Investment) so that we push those projects that have a higher and quicker ROI profile. Tactically speaking, there is an opportunity to unload more Eurobonds in the short term but over the medium term, we need to now sequence better and bite off only what we can comfortably service.

We need to now also call a stop to the endless Bail-Out "Ground Hog" day rigmarole. Kenya Airways was a "National interest" issue. If we want to be a gateway to Africa and a hub, we absolutely needed a national airline. There was no choice around the Kenya Airways rescue. However, we now need to establish where that national interest red line lies and companies that fall on the wrong side of that line, must be left to fail. This Government put-option has to end. One of the most progressive elements of our economic policy over the last 15 years was the privatisation policy which saw its culmination in the sale of Safaricom shares for 5 shillings way back in 2006. We need to re-ignite that program. It's a silver bullet. It gets GK out of business, it gives citizens a stake and those who have a stake tend not to burn things down. The secret of such a program is not to "milk the cow" but to ensure that citizens are sold shares at prices that give them a profit. Optimal pricing keeps the pipe flowing. There is a tsunami of cash to be tapped internationally and domestically but never ever leave citizens nursing losses.

Our economy is not a mono-line economy. It is multi-faceted. It has multi-dimensional promise from the ubiquity of mobile money to the promise of the entrepreneurial spirit in every citizen's DNA. I was transfixed by the long queues of Kenyans waiting patiently to cast their votes and then I noticed a fellow who had set up his own coffee stand and I thought that's my Kenya. If opportunity comes knocking, Kenyans seize it, we just need to ensure it comes knocking.

Finally, I liked the tone of President Kenyatta's acceptance speech. You are indeed the President of 43m Kenyans. The President needs to include everybody. Kisumu, for example, is about to receive a huge investment from EABL. There are plenty more investments that we can make or help others make. Its a Carpe Diem moment.

Over to you, President Kenyatta.

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INVESTMENT

Central Bank meets Sh24 billion Treasury Bill target

CYNTHIA ILAKO / About Sh24.18 billion was borrowed in short-term securities marginally surpassing Central Bank of Kenya's borrowing target for the weekly sale of the Treasury Bills of Sh24 billion.

Week-on-week average interest rate on the 182-day T-bill was flat at 10.32 per cent while yield on 91-day and 364-day facilities rose slightly to 8.199 and 10.905 per cent respectively.

Bids worth Sh1.17 billion out of the Sh6.83 billion received during the sale of the 91-day T-bills were accepted. This represents 170.75 per cent of the Sh4 billion on offer under the debt facility.

Bids worth Sh9.51 billion out of Sh9.43 billion received during the sale of the 182-day T-bill were accepted representing 95.1 per cent of the Sh10 billion on offer under the short-term government security.

CBK, the government's fiscal agent received bids worth Sh7.92 billion on one-year paper which attracted Sh7.92 billion, a 79.2 per cent subscription of the Sh10 billion on offer.

This was higher than bids received last week, which stood at Sh3.43 billion or 38.5 per cent. The government raises cash for short-term budgetary support through the T-bills.

Safaricom CEO Bob Collymore fixes cables and general manager enterprise business Sylvia Mulinge at the launch of the Safaricom signals entry into the television market with home broadband solutions in Nairobi on May 8 **/ENOS TECHE**

DIGITIZATION

Internet subscription down by 3.6 percent

Subscriptions dropped to 25.7 million from 26.6 million during last quarter attributed to the revision of data by Finserve Kenya

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Internet subscriptions slightly dropped by 3.6 per cent compared to the last quarter, the latest report by the Communications Authority shows.

The third-quarter sector statistics report for the financial year 2016-2017 dated January to March 2017, noted that the subscription dropped to 25.7 million subscriptions from last quarter's 26.6 million subscriptions.

CA attributed the decrease to the revision of data by Finserve Kenya during the quarter.

However, the population of internet users increased by 2.3 per cent with estimated users increasing to 40.5 million up from 39.6 million.

CA data showed that the number of data subscriptions grew by 3.4 per cent when compared to the same period of the previous year.

Mobile data and internet subscriptions accounted for 21.5 million, or 99 per cent of the total internet subscriptions during the quarter under review.

With regards to the market share for mobile data/internet subscriptions, Safaricom Limited had the highest market share standing at 74.9 per cent, followed by Airtel at 18.1 per cent.

Telkom Kenya and Finserve Africa Limited market shares were recorded at 6.0 per cent and 0.7 per cent respectively.

Mobile Pay registered a market share of 0.3 per cent while Sema Mobile Service had its market share at 0.0 per cent.

Released last month, the ICT facts and figures also recorded a 20 per cent rise in mobile broadband subscriptions in the last five years, which it estimates will hit 4.3 billion globally by the end of 2017.

This is attributed to a drop in global mobile broadband prices as a percentage of gross national income per capita between 2013 and 2016.

Terrestrial wireless data subscriptions rose during the quarter under review to post 36,104 subscriptions from 29,724 subscriptions recorded during the previous quarter, marking a growth of 21.5 per cent.

Similarly, Satellite subscriptions increased by 6.5 per cent to stand at 622 subscriptions from 584 subscriptions recorded during the previous quarter.

Fixed fibre optic subscriptions grew by 22.4 per cent to post 48,040 subscriptions up from last quarter's 39,255 subscriptions. Fixed cable modem subscriptions recorded an increase of 11.4 per cent to post 95,976 subscriptions, up from 86,139 recorded in the previous quarter.