

Kenya should reinvent itself as a tourist site



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STRATEGY

I was recently in Sharm el Sheikh, Egypt where I attended a Comesa Investment Forum.

Sharm el Sheikh is a beautiful city on the Sinai Peninsula, situated between Mt Sinai and the Red Sea. It has religious significance for Christians, and known to be one of the largest tourist destinations in the Arab world. It is famous for hosting international peace conferences hence nicknamed 'The city of peace'. Inter-

estingly, Sharm el Sheikh has not always been such a huge destination. The city started out as a fishing village, then became a port and was developed into a tourist destination in 1982. Now they have international flights taking off every 15 minutes to cope with travel demands.

What stuck out in my mind however, was not only its beauty but also the comparative advantages of our coastal towns. Their natural terrain is desert rocky with a view of the blue sea. We on the other hand, have beautiful coastlines and a similar view of the sea. However, we have sandy beaches, excellent weather, coupled with a welcoming people and interesting cultures. In short,

our coast is a venue to die for. So why is it that our development of the coast has retarded while theirs takes off as if the whole city was moving on a speed boat? This is not only a problem for our country. It is challenge that most businesses have to contend with in time and if not properly dealt with, die off when the market becomes flooded. The question we should be asking ourselves is how to keep our product offering relevant. Kenya has everything that anyone needs to build the most wonderful tourist centres and here I'm thinking as far as Bogoria and Lake Turkana. All we need is for leadership and resolve to make it happen. The key lesson has been to stay ahead of the

game through innovation, anticipating the needs of our target population. We must also be able to tap into untapped markets with custom-made products. Our hotels should create products and even rebuild some of their amenities to attract environmentally conscious tourists. Secondly, another problem is red-tape.

While you may have an active R&D team, their innovative streak may die off if they never witness the actualisation of their dreams. Kenya will never solve our jobs crises unless we wake up and do it now. With better conditions for the private sector, it is possible and yes, it can be done.

Kirubi is a businessman.

High costs dent growth of small brokerage firms



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CAPITAL MARKETS

Much has been written on the stock brokerage industry in Kenya, giving the impression that it might be nearly as large as the banking sector. The facts reveal a much different story. In reality, the entire stock brokerage industry would struggle to compete against even one of the many Kenyan banks in terms of size.

For example, the top 10 stockbrokers on the Nairobi Stock Exchange accounted for over 90 per cent of bourse turnover in 2009. On average, each of these stockbrokers employs maybe 20 people. That's 200 people accounting for over 90 per cent of the entire market. As a comparison, just one bank alone employs over 5,000 people, many times more than the entire stock brokerage industry.

In terms of revenue for the full year 2009, a median average 85 per cent of the top 10 stockbrokers' income was commissions. The remaining small balance comprised mostly advisory fees and trading income, both of which are cyclical and volatile. For the entire 2009, the top 10 stockbrokers had a median average monthly brokerage commission income of Sh6.5 million. For the same period, median average monthly operating and administrative expenses were Sh9 million. While expenses may include some exceptional items, it does cost at least Sh5 million on a monthly basis to run a medium size stock brokerage business. As a comparison, in 2008 Equity Bank was ranked sixth by total assets with a six per cent market share, putting it among the top 10 in the banking industry. Yet this one bank alone made a monthly average Sh496 million in net interest income and Sh467 million in fees & commissions in 2008. To put this into perspective, this one single bank made more income in one month than the entire stock brokerage industry made in one year.

Yet, the stock brokerage industry is now facing regulatory and compliance standards approaching the banking industry. For a bank to hire additional people and incur additional costs to meet such levels of compliance, this is a minor incremental burden. For a small stockbroker, it can make the difference between a profit and loss for the year.

It's easy to say that the future looks bright, but bills must be paid and investors run businesses to make money. While it is important that stock brokers be managed properly, there must also be an appreciation that the industry is still very small and developing, requiring continuous new investment in people and technology. In this light, new rules and regulations, and their enforcement, should always consider the costs and administrative burdens which they impose on such a tiny industry.

DeSimone, is executive director Kestrel Capital, a member of Nairobi Stock Exchange

Letters

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Global trade has potential to lift many out of poverty

I would like to comment on the article by the World Trade Organisation (WTO) director general, Pascal Lamy "How trade and public policy can be used to spur economic growth (BD Monday April 19).

I agree with him that global trade has the potential to lift millions of people out of poverty, but if not managed properly it can exacerbate the cycle of poverty instead. However, the benefits of global trade are currently distributed unequally, and Africa's share has declined in recent years.

In order to be able to effectively reap the benefits that trade can offer, African countries need meaningful changes to world trading rules, increased



African countries need meaningful changes to world rules to be able to reap from multilateral trade. FILE

funding targeted at expanding their capacity to trade and country-owned trade strategies that are a key part of their overall economic growth and poverty

reduction strategies. No other region so clearly shows the exclusive or marginalising character of globalisation, as does Africa. This marginalisation of Africa

has affected countries severely as many have lost another ten to fifteen years through inconsistent structural adjustment programmes (SAP) inspired Government policy on trade and industrial development. Although many governments claim some good growth in the last decade this has not resulted in any sharp reduction in poverty levels over the past decade rather we have seen an increase, particularly, in rural poverty. I would hope that Mr Lamy would take these issues into serious consideration as WTO brings the Doha Round to a close.

T. SIMUMBA
via E-mail

Sophisticated method to help reduce counterfeiting drugs in poor nations

It has been long appreciated that no one anti-counterfeiting strategy can provide 100 per cent assurance against this murderous crime against humanity, or even come close to doing so. This point has been made in the April edition of Nature Medicine prepared with the help of the health journalist Asher Mullard. The article says that criminals have learned how to make package-protecting holograms, for example, and they sometimes put small amounts of active ingredients into their pills to fool basic chemical tests. As such, security experts caution that no single anticounterfeiting approach is ever likely to win the war.

The report does mention mPedigree's cell phone mechanism which I am now working

on to secure the support of drugmakers and other partners to implement the system more broadly in Nigeria, Rwanda and Kenya.

Those of our friends who have been following our effort know though that we advocate "interlocking" approaches precisely because mono-layered methods that assume that this problem can be stemmed by an isolated technical intervention do not survive first encounter with the nasties in the real world out there.

A sophisticated strategy against counterfeiters must be "live - state", i.e. it must tie in technical interventions with a dynamic intelligence gathering and processing capability, and do so through a seamless integration with the evolving state of the supply chain, thus

"live - state". Multiple nodes of information flow, security management, and intelligence points must interlock, and in doing so constitute the very core of the anti-counterfeiting response. This is of course precisely also the reason why partnerships are so essential in this line of work. Very rarely can one organisation or agency pack in its sack all the vital elements of such an intensive strategy.

The hope, naturally, is that this growing wisdom shall permeate all layers of the "access to quality essential medicines" stakeholder community globally.

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