INFORMATION TECHNOLOGY

# Mobile phones drive efficiency push

BY KUI KINYANJUI

In the most technology reliant Budget since Independence, the Finance Minister sought to leverage ICT to increase efficiency and extend more services to citizens.

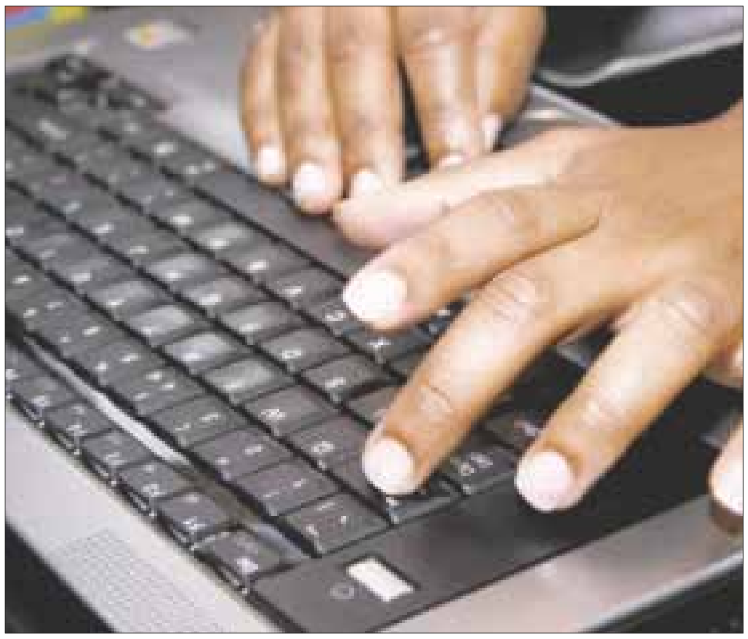
But as the government moves towards becoming a more streamlined organisation offering enhanced services to citizens, the private sector was largely ignored since the Minister neglected to offer any specific incentives for businesses.

## Increase access

Nonetheless, players in the mobile finance field are set to benefit from the government's stated intention to utilize phones as a tool to increase financial access.

"When completed, the registry will enable small businesses to pay for services using Kenya's innovative mobile payment platforms. To ensure effective disbursement of fund to youth, we shall leverage m-banking to reach more Kenyans," said Uhuru Kenyatta, Finance Minister.

The minister said this would make it possible to introduce and expand services offered through mobiles to include micro-insurance, pension payments, tax payments and other social payments.



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Stake-holders in the ICT industry largely anticipated the Minister to address the high cost of communications by introducing policies that would result in cheaper access to communication services.

Instead, Mr Kenyatta pushed forward a number of e-government systems slotted for introduction in various sectors to improve service delivery and push Kenya towards a more service based economy.

The Finance Minister directed that several crucial services such as port clearances, tax payments and livestock tracking turn digital, hoping to cut down on delivery timelines and increase access to state facilities.

Among the initiatives introduced in yesterday's Budget is the planned rollout of a government wide accounting system that will allow for closer tracking of fund use by various departments.

## Development projects

The financial system will be rolled out by September and push departments to spend cash allocated to them on development projects.

In addition, the state will be pushing forward existing projects such as a livestock tracking, which is aimed at increasing traceability for livestock and a cargo solution that will improve on tracking issues at the port.

# Computer project for schools gets Sh1.3 billion

BY MARK OKUTTAH

A stalled project aiming at equipping secondary schools with computers will now be done under the Ministry of Education following the allocation of Sh1.3 billion by Treasury for the new financial year.

Statistics from the Ministry of Education indicates that less than two per cent of the public primary schools have access to basic computer studies and only 800 out of the 4,000 public secondary schools have computers.

Finance Minister Uhuru Kenyatta said the money will be used to buy 300 computers in each constituency. The government also intends to boost computer assembly in national universities to create employment opportunities for Computer engineering graduates.

## Public schools

The initiatives to computerise public schools by government will pave way for e-learning in Kenya which may not only change how students access learning materials but also boost the quality of education especially in remote areas where they don't have access to libraries.

In last year's budget, the government allocated the same amount of money to the Information ministry for the purchase of buses in each constituency equipped with computers and internet connection. However, the idea was shot down by members of parliament who said the costs of the buses had been inflated and instead asked the government to give them the money so that they can buy the computers directly for their constituencies

This was part of the government Sh2.3 billion plan to increase access to internet tools such as laptops and personal computers in the country.

The government was to provide subsidies to individuals in the 'one million laptops' campaign for but this was later reviewed, leaving only Universities that can now benefit from the program after the ICT operators partnered with banks.

# High call changes slow down Internet reach in rural areas

BY KUI KINYANJUI AND OKUTTAH MARK

The increasing relevance of the services sector to the country's economic growth is prompting players in the ICT industry to lobby for increased incentives geared at spurring growth.

Millions of consumers are unable to afford the high rates being charged for telecommunication services, hardware and software. High pricing is also locking out investors in the Business Process Outsourcing (BPO) sector who are losing out lucrative contracts due to costly bandwidth.

Analysts are pegging future growth on the establishment of new incentives, mostly in the form of tax cuts.

"Last year's budget set the stage for developing the ICT sector, it showed the government's commitment through a number of proposals and incentives. We should expect to see the government building on what it started, funding policy incentives, tax incentives and barriers," said Caleb Musau of PKF Consultants.

Despite 2009 being the year when the country finally received fibre optic connectivity, most operators are yet to fully pass on cost savings to their consumers, resulting in sluggish uptake of internet services.

The internet sub-sector recorded minimal growth as a result, with the number of users in the country hovering around 3.5 million, up from 3.1 million the previous year.

In the BPO segment, aggressive marketing and tax incentives are seen as the key that will unlock the potential that the sector holds by attracting big investors or contracts that can ran for years. However, operators in the sector say there is need for collaboration between the private sector and the government to aggressively market the country as a BPO and contact centre destination.

The chief executive of Horizon Contact Centre, Mr Sanjay Sikka, says that the move will not only attract more international clients but also require more allocation of resources in the budget and collaboration with the private sector. "Very few BPO operations can currently take up huge contracts since majority do not have the capacity to do so thus making it hard for the country to compete effectively with the rest of the world," said Mr Sikka.

Mobile service providers have also renewed a five year call for the removal of taxes on airtime, which they say stifles the uptake of services in rural areas as they drive up the cost of airtime.

A recent analysis by Deloitte shows that a 10 per cent increase in mobile penetration leads to a 1.2 per cent increase in GDP in the long-run across developing countries. According to the GSM Association, taxes are driving the cost of communication upwards, with Kenya ranked among the highest in the Total Cost of Mobile Ownership (TCMO) index. Kenya has the one of Africa's highest average tax burdens, reaching 25 per cent of the TCMO.

But some analysts say dropping the taxes will have little effect. "The argument has its flaws; the question remains how to replace lost government revenue during the years when revenues would decrease. Unless other taxes are increased, the government would have to increase borrowing," said Tax Justice in its Kenya report.