

NEWS BUSINESS



COMMODITIES REVIEW

ALY KHAN SATCHU

The wind of change

I listened to President Cyril Ramaphosa's State of the Union Speech delivered in Cape Town on Friday night and I thought to myself this man has been writing this speech since 1994. From the narrow perspective of the markets, this speech was as loud a buy signal as you are ever going to hear. There is plenty of noise in this new 21st century now in which we all exist but since Davos, President Ramaphosa has been emitting a very clear signal and that signal is to buy the ZAR and the South African stock market. South African markets are in a process of pricing out a quite savage Zuma haircut [discount] and might even move to a Ramaphosa premium. President Ramaphosa spoke at some point in every single South African Language even Afrikaans and this Tilt back towards the Language and mood of the rainbow nation, which mood was encapsulated by Mandela donning a Springboks jersey during the 1995 Rugby World Cup, had everyone dancing in the aisles at the end of his speech. The President quoted the South African Icon Hugh Masakela "I want to be there when the People start to turn it around..." You want to be long limit long Ramaphosa.

My mind then looped back to another speech which was delivered to the Parliament in Cape Town but that speech was delivered on February 3rd 1960 and by a British Prime Minister Harold Macmillan who said, "The wind of change is blowing through this continent. Whether we like it or not, this growth of national consciousness is a political fact."

"Africa is not a country" is a ubiquitous meme and at its core is an absolute truth. The continent is non-linear. Kinshasa is not Addis Ababa, is not Lagos, is not Pretoria. However, "a wind of change is blowing through this continent."

Condoleezza Rice who served as Secretary of State said, "What we're seeing here is, in a sense, the growing—the birth pangs of a new Middle East, and whatever we do, we have to be certain that we're pushing forward to the new Middle East, not going back to the old Middle East." [Replace Middle East with Africa].

Notwithstanding Jacob Zuma's truculence and some moments of high drama, the Rainbow Nation gave birth to President Ramaphosa with relative ease. The former liberation movements in Angola and Zimbabwe are trying to re-invent themselves. And surely further political longevity will be decided by the degree with which Lourenco and Mnangagwa break with the past. There are reasons for optimism. If this were a continuum, then the likes of Ethiopia and DR Congo and some others are at the extreme end of the continuum. We know these Countries are in the delivery room. Ethiopia [a poster-child for GDP growth and where many investors saw a China version 2 type opportunity] has re-instituted a state of emergency and its prime minister has stepped aside. President Trump has a core support of about 30 per cent of the population. The core support of the Ethiopian regime is six per cent. There is no mercurial Meles Zenawi to sit atop it all and The situation is no longer tenable and a tipping point could be very close. President Kabila has finally acceded to entering the delivery room but this is clearly a problematic delivery. The wind of change is blowing through this continent.

The writer is a financial analyst

WORKING ENVIRONMENT

We need your support, insurance agents tell government

CHARLES MGHENYI / Insurance agencies have asked the government to provide a more favourable business environment to enable them contribute more effectively to the GDP.

According to Bima Intermediaries Association of Kenya, agencies contribute about Sh200 billion annually.

National chair Washington Ndegea said the Insurance Regulatory Authority (IRA) does not take

insurance agencies seriously whereas county governments overcharge single business permits.

"We have a very big issue with IRA, they do not like engaging with us or coming to our stakeholders' meetings. How can we work together then?" asked Ndegea during a two day insurance agents' coastal region workshop in Mombasa.

He asked IRA to engage the more than 10,000 registered insurance agencies, to help weed

out unscrupulous agents operating illegally.

Bima Intermediaries Association has 2,500 registered members countrywide.

It will be easy for IRA to regulate the agents if they are registered members of an association and the insurance business professionalized.

"We have a lot of rogue insurance agencies.

It is not easy to regulate them. We want IRA to engage us more as

we continue to train our agents so that this business is taken seriously like all other professions," he said, adding that education will weed out unprofessional conduct.

The IRA report released last year attributed the decline to a high nominal growth in GDP of 14.3 per cent compared to nominal growth in gross direct premium at 13.2 per cent

Kenya's GDP in 2016 was Sh7.158 trillion while gross direct premium stood at Sh195.2 billion.

ACCOUNTABILITY

KRA irregularly awarded Sh4.6 billion tender—Ouko

The report reveals that KRA has 17 pieces of land without title deeds worth Sh378 million, transferred to them in 1995



KRA Commissioner general John Njiraini (right) makes a call along Parliament corridors when he appeared before the National assembly Public Investments committee Sep 07 2016

/HEZRON NJJORGE



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Kenya Revenue Authority awarded the procurement of printing, supply and delivery of security revenue stamps without following legal procedures.

The Sh4.6 billion deal was single sourced to SCI PA Security Solution SA Prilly, a Swedish firm, contrary to the Public Procurement and Disposal Act.

Auditor General Edward Ouko's qualified opinion on the tax collector's financial statement for the year ended June 30, 2016 says KRA did not justify why it shielded the Swiss firm from competitive bidding of the Sh4,552, 516,226 tender, denying the authority value for money on the contract.

This is not the first time KRA is being questioned over single sourcing SICPA Security Solutions SA Limited.

In July 2016, Commissioner General John Njiraini was quizzed by Public Investments Committee (PIC) why it engaged the Swiss firm to deliver the Sh17.7 billion e-tax tender amid allegations that the IT company had corrupted tax agencies in Albania, Morocco, Brazil and the Philippines.

Defending the contract, Njiraini denied knowl-

edge of SICPA's involvement in corruption but promised to provide further information on why KRA decided to use direct procurement.

The auditor found it was silent on ownership of equipment that had been delivered at a cost of Sh2.37 billion and that KRA had not capitalised the cost of the assets in their books.

The taxman also failed to disclose Sh770 million owed to SICPA for supply of equipment as at June 30 2016.

The report reveals that the authority has 17 parcels of land without title deeds worth Sh378 million, which were transferred to the authority by the government in 1995.

"Under the circumstances, it has not been possible to confirm ownership status of these 17 parcels of land and whether property, plant and equipment balance of Sh15, 631, 210,000 as at June 30 2016 is fairly stated," said the auditor.

On further evaluation of the tax man's books, the auditor general noted an understatement of up Sh5.6 million in cash and bank balance of Sh10.05 billion reflected in the statement of financial position during the year.

According to the auditor, whereas the total cash and bank balances amounted to Sh10,057,811,645.23, the statement indicated Sh10,052,218,000, a Sh5,593,645.23 difference.

The tax agency could not explain a Sh10.63 million disparity in its interest income.

The auditor found out that Sh843,982,000 in the statement of the financial performance for the year did not match the ledger balance of Sh824,353,467.10.

Ouko noted an understatement of Sh13.5 million in miscellaneous as well as Sh6.9 million income from rental properties owned by the authority at Wilson Airport.

Although KRA has signed service level agreements with financial institutions that prohibits the imposition of any charges, commissions or any other costs by banks for any service rendered to the authority, the auditor general noticed bank charges of up to Sh101.37 million in KRA's operating expenses, putting to question the validity of Sh980.5 million appearing in the agency's statement as operating expenses.

Examination of KRA records also established that it received excess development budget support of Sh164 million which was not supported by either supplementary budget or request.

The report also indicates KRA had received Sh1,254,930,000 from the National Treasury against an approved budgetary request of Sh1,090,930,000.