

Vast investment choices beckon informed Kenyans



By SCOTT BELLOWS

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Imagine a vast expansive world full of investment opportunities for willing shareholders. As Kenyans, we can choose real estate domestically. We could also select corporate bonds in Kampala, stock equities in the New York, pensions in Paris, money market securities in London, or currency trading in Tokyo. The world holds immense choices for informed Kenyans.

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Whenever we scour the globe for the most appropriate places to invest our hard-earned money, we undoubtedly look for a few key factors. First, investors do not like uncertainty. Investors from developed nations, in particular, have what researcher Geert Hofstede termed high uncertainty avoidance. Inasmuch, they desire to know what to expect.

Managing expectations for investors and even donors proves critical in the due diligence process. Unpredictable expectations drive investors to flee a country or demand ridiculously high returns in order to warrant their investment.

Second, investors demand the rule of law. If a transaction goes south, then an investor expects the courts to uphold the sanctity of a contract. Investors operate under what social science researchers call calculus based trust. In calculus trust, the investor solidifies his or her position with substantial legal contracts to protect them just in case the other party fails to deliver on their side of the bargain.

In business law, when parties enter into a transaction, followed all the laws of a country, and obtained the blessings of relevant ministries and authorities, then investors and donors expect certain outcomes.

American think tank, the Heritage Foundation, maintains an annual ranking of countries in terms of perceived "economic freedom". The organisation assesses nations in four categories: rule of law, limited government, regulatory efficiency, and open markets.

Kenya ranks 115th out of 178 countries and is categorised as "mostly unfree". Given Kenya's economic growth, vibrant financial sector, burgeoning real estate sector, one might get surprised by our poor showing.

Here in Africa, Botswana ranks highly as "mostly free", Rwanda and South Africa as "moderately free". Uganda and Tanzania both rank higher than us. Kenya is just one notch above Nigeria.

The Heritage Foundation applauds Kenya in terms of our monetary freedom with a plethora of mostly well-regulated strong banks and trade freedom with robust commerce. However, we rate poorly in terms of property rights, specifically hitting at dismal transparency in the sector.

The poor rating for property rights stings because Kenyans prefer real estate as our major store of domestic

investment value. Americans prefer stocks, Europeans pensions, Russians precious metals, South Sudanese cattle, and we Kenyans prefer land, land, and more land.

The Heritage Foundation specifically states that in Kenya, “property ownership is weakly protected. The court system is highly inefficient. Corruption is extensive, and the Judiciary is strongly influenced by other branches of government. Expropriation is possible.”

So when even charitable institutions like USIU carefully select where to invest donor funds so as to provide quality education at affordable prices in perpetuity, follow all applicable laws and legal procedures, and still have their land taken away from future generations of students, both investors and donors ponder whether Kenya represents a safe predictable place to champion causes or store money.

So what might Kenyans do? First, do not despair. Recognise that Kenya stands as a political leader in the region, forward looking, and robustly progresses forward. Second, say no to complacency. Lawless factions win when good people do nothing.

The common refrain upon hearing bad news “oh, this is Kenya” should not be acceptable. The next time a friend of yours complains about something and then rattles off excuses as to why they fail to act, kindly remind them that they are part of the problem. Instead, let us coin the phrase “we should act because we are proudly Kenyan”.

Third, recognise Kenya’s strengths. Nigeria has its oil, DR Congo its precious metals, while we have our educated work force.



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Our intelligent highly educated labour pool drives our economy. Kenyan professionals dominate accounting fields in NGOs around the world, Kenyan managers disproportionally lead numerous firms across the continent, and our IT and entrepreneurial thinkers change how the world does business. In as much, when we come together, Kenya has and will achieve monumental heights.

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