Trade Liberalization and Poverty in Kenya: A Case Study of the Telecommunications Sub-sector

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Abstract

Trade liberalization in the Kenyan Telecommunications sub sector began earnestly in 1997 when the government embarked on progressive liberalization and privatization within the sub-sector. Before liberalization of the sub-sector, services were delivered within a monopolistic public sector structure- the Kenya Posts and Telecommunications Corporation (KP&TC); which combined regulatory and operational responsibilities (UNCATD, 2005), the sector was at the time plagued by inefficiencies poor coverage and low network coverage. The liberalization of the sub sector through the 1997 Communications Act led to splitting of the KP&TC into Postal Corporation of Kenya, Telkom Kenya and the Communications Commission of Kenya, which is the regulating agency. Further reforms in the sub sector were as a result of Kenya fulfilling its obligations under the WTO framework. These have led to the development of the ICT policy, which entails reviewing of the policy framework for investment, competition and growth including obligation of investors to universal access as stipulated in the WTO reference paper on Basic Telecommunications.

This study is intended to discuss the effects of Telecommunication liberalization on poverty in terms of employment generation, increase of Foreign Direct Investments, Access to services; and increase of opportunities due to access to information. The study involved desktop research combined with one on one interviews with key stakeholders in the sub sector including service providers and consumers.

Findings from the study indicate that due to liberalization of the sector, there has been tremendous growth especially in the mobile telecommunications industry, which currently stands at 6 million subscribers. Furthermore access to services has improved both in the urban and rural areas. The introduction of mobile technology and Internet services has also created an impact in terms of access to information; employment creation –both directly and indirectly through participation of micro and small enterprises benefiting from community phones, sale of mobile phones and accessories which has an impact on incomes and poverty; the real impact still needs to be determined empirically. Even though the operating environment is competitive and both foreign and private sector investment have increased; landline services are still provided under monopoly of Telkom Kenya and attempts to license a Second National Operator are still underway.

Most stakeholders in the industry perceive the costs of services to be high especially mobile telecommunication services. Unreliable and slow Internet connections also impacts negatively on

the sub-sector. Operating costs of mobile service providers are also high due to poor infrastructure and high cost of electricity and related taxes. The implications and real impact of telecommunications sub-sector liberalization still needs to be quantified. Finally, the sub sector stakeholders feel that more reforms need to be undertaken such as: introduction of a Second National Operator (SNO), reduction of costs of communication, speeding up of unified licenses and improvement of infrastructure and services access in the rural areas among others.

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