# Are multinationals leaving Kenya?

**By Jackson Okoth**

One only needs to look at who has closed shop or been forced to cut down operations to realise the magnitude of the problem. Well-established and hitherto dominant multinational companies in Kenya are suddenly finding themselves sailing in turbulent waters.

The latest multinational to leave the scene with a bloodied nose is the 200-year-old Colgate Palmolive, a global business concern which begun in New York as a small soap and candle business. The list also includes, Johnson & Johnson, Agip, Unilever, Procter & Gamble, and recently, ExxonMobil, just to mention a few.

A credible source at Colgate-Palmolive East Africa Limited told *The Financial Post* that while the closure of the company's manufacturing plant in Kenya is part of an international rationalisation programme crafted at the conglomerate's New York headquarters, the decision was made because the Kenyan operation was quickly climbing the ladder of poor performers among its worldwide operations.

"Majority of the multinationals who have so far relocated, shut down or downsized their operations consider Kenya as one of the least competitive investment destinations worldwide."

Apart from the notoriously high cost of power in Kenya, difficulties in obtaining licenses and visas, inefficiencies at the Port of Mombasa and deteriorating infrastructure are among other non-tariff barriers to investment in this market, the official, who spoke on condition of anonymity, said.

The source, however, says that while a lot of effort has been made to improve the investment climate in Kenya over the last few years, more needs to be done if the country has to compete with other destinations worldwide.

However, Robert Bwire, a Promotions Manager at Kenya Investment Authority (KIA), has different views as to why a number of companies and folding.

"One of the reasons as to why the multinationals are opting for other countries could be that they have established alternative export markets or production techniques and not necessarily an unfavourable investment climate in the country," says Bwire.

Bwire says the government has put in place specific intervention mechanisms to improve the country's investment climate.

The ministry of Trade and Industry also disagrees with officials at the ministry terming Colgate-Palmolive, which has now restructured from a manufacturer to a distributing agency.

The officials reiterate that a lot has been done to improve the investment climate in the country.

"Most of these companies are leaving a more improved business environment, perhaps even better than they found it," says an officer at the ministry.

Colgate Palmolive is closing down its least competitive plants in over 13 countries worldwide, including Kenyan.

Trade and industry Assistant Minister Abdirahman Hassan while doubting that investors are leaving the country in droves, however, admits that despite the government's intentions to make it easy to do business in the country, the process has not been fast enough.

"The Kenya Investment Authority is effectively working towards what is called the one stop shop in which one can go through the business procedures quickly," he says

A few years back, Colgate's rival Procter &Gamble also drastically scaled down and is barely visible these days. Other big guns of the yesteryear including Johnson & Johnson are now little more than a supplying agent.

Teresia Muthoka Yulu, a Public Relations Officer (PRO) at the ministry maintains that, if anything, more multinationals are setting up base in the country.

"The country has observed a rising number of investments from multinationals who have invested in the service and manufacturing sectors. They include Nokia from Finland and General Electric, who have set up centres in Kenya to supply the region," says Yulu.

Other multinationals doing good business in Kenya include Microsoft, Erricson, Vodafone and Nivea manufacturers, Biersdoff.

"A big multinational from the UK is planning to invest over US$ 500 million (Ksh 3.6 billion) in the production of electricity in Marsabit, a project that will produce a quarter of what Kenya is producing now. We also have a multi-million dollar investment in Kitengela by a cement manufacturing company," explains Yulu.

Available information from KIA shows efforts being made to reduce the cost of doing business in Kenya.

For instance, to simplify licensing, 17 trading licenses were removed in the fiscal year 2005/06 and a further 118 licenses are to be eliminated in the fiscal year 2006/07 together with removal of duties on selected imported inputs.

"Under the Investment Climate Action Plan-guillotine process, 136 licenses have been eliminated, with 700 under review," says Bwire.

Other regulatory reform initiatives to encourage investment include public sector development strategy, Investment Climate Action Plan, Enactment of Investment Promotion Act 2004, Enactment of Procurement

Act 2004, and Enactment of Privatization Act 2005, Standing Taskforce looking at the usefulness of various licenses issued to businesses in Kenya and the 2005/6Budget speech outlining licenses to be eliminated and reviewed.

But it is in the petroleum sector where the multinationals are finding it difficult to cope. A few years back, Agip shut down its pipes and sold out to BP Shell. The sale of BP to Kenya Shell is already in the pipeline, a move that will change shareholding of BP Shell, which has been operating as a joint venture company.

Recently, ExxonMobil sold its Kenya franchise to Tamoil, who will now take over the company's over 64 service stations countrywide.

ExxonMobil Kenya Managing Director Robert Paterson says the company's divestiture from the country was based on its global business model, which is no longer suitable for smaller markets, Kenya included.

"This precise model does not work in Kenya and is incapable of providing adequate returns to our shareholders," says Paterson.

He, however, mentions concerns that have been raised by investors on Kenya as an investment destination including a road system that does not work properly.

"A potential investor now views Kenya as less than ideal, owing to issues of infrastructure, power, licensing and corruption, which is still a political question," says Paterson.

Interestingly, Kenya Shell/BP External Affairs Manager Ngaari Mwaura disagrees that oil multinationals are moving out of the country due to the declining business fortunes for them in Kenya.

"Most of those selling out their outlets here do this as part of their strategy across the world. They are giving their business to other oil companies, implying that they would not be buying these outlets if there was no business," says Ngaaru.

He adds that global oil companies that have left the country have done so based on other considerations including economies of scale and efficiency.

"The oil companies exit strategy may not necessarily be due to the localized business environment here," says Mwaura.

Apart from Kenya, Mobil has also sold out its outlets in South Africa to Engen as well as in five other African countries to Tamoil, including Egypt. Most of its outlets in Africa have been taken over by French company Total.

Amidst these rapid-fire buy-outs, shut downs and sale of petroleum retail outlets controlled by multinationals, the mass exodus has been shrouded in subtle euphemism-downsizing, re-positioning, global strategy, restructuring among other overused terminologies which simply means shutting down operations.

But it is not only the multinationals that are relocating and restructuring. Local firms have also been moving their manufacturing plants to other regional destinations, to take advantage of more conducive environments, especially within the East African Region.

Bidco Oil Refineries Limited is one such company, which has relocated its palm oil production facilities to Uganda.

The company's MD Vimal Shah says Kenya continues to be an expensive investment destination owing to a number of factors including transport and logistics problems at the port of Mombasa, a key lifeline for the manufacturing sector in Kenya.

"We need to address problems at the port of Mombasa to enable easy movement of freight, reduce cost of power and repair the dilapidated road network. The recent concessioning of the Kenya-Uganda Railway is a positive move that will eventually reduce the cost of transport in Kenya. We hope that the new players will not turn it into a monopoly," says Vimal.

Vimal warns that Kenya needs to avoid 'behaving' as if it operates in isolation by increasing its competitiveness to match the likes of Egypt.

Closer home, it takes a foreign investor four months to register a company, the process takes only four days in other competing investment destinations such as Egypt.

In the event of a dispute, it takes ages to conclude a case within the commercial courts, with the country's legal system being cited as one of the factors behind the high cost of doing business in Kenya.

Curiously, local players who seem to be thriving are quickly filling the void left by multinational companies. For instance, Bidco were beneficiaries when, in early 2002, the then Ksh 8 billion turnover-a-year Kenyan operation of Anglo-Dutch consumer goods transnational Unilever sold its flagship brand Kimbo.

The disposal of Kimbo, bakery fat Veebol and laundry soap Tiger must have come as a surprise to many. But Unilever may have simply been traveling a familiar well-trodden path.

The path is based on a common script in which multinationals are finding it difficult to cope with the frenetic pace set by the smaller upstarts who have come to town to claim a stake of the action.

In the case of Unilever, which had long enjoyed near monopoly status, its brands were wiped out of the shelves in retail outlets by a vicious assault from a tenacious cast of johnny come latelys. At the time of selling Kimbo, it had a turnover of Kshs 1.5 billion. The message from the chairman was that Unilever was planning to dispose certain brands and instead concentrate on a smaller portfolio of global brands. But the truth was that it had been brought to its knees by competition.

Oil dealer, Kenol Kobil, seems to be expanding every other day and is now making headways into the regional markets as multinationals sell out their outlets and leave the scene.

In the banking sector, Equity Bank, Family Finance, Kenya Commercial Bank (KCB), K-Rep bank and other local banking and financial institutions are thriving in areas where multinationals Barclays and Standard Chartered banks left.

It now seems that the Davids of the business world in Kenya are taking on the Goliaths with great success.

As multinationals move out, smaller lithe operators are dazzling their giant peers with deft marketing upmanship and sheer operational genius. This is one of the hallmarks of the post-liberalized economy of the country.

From Cairo to Johannesburg, ‘Big brother’ is increasingly finding it hard to compete on the shelf for attention of consumers, who are increasingly being won over by small start-ups.

Giant multinationals especially those old-style pre-colonial outfits in the traditional sector of manufacturing or trade have been particularly hard hit. Those still surviving have had to reconstitute and reapply their strategies not just to compete but also survive to fight another day.

But what is the reason behind the ascendancy of small, sometimes informal business and the general decline in the fortunes of giant conglomerates? Is the upturn in the fortunes of small firms a triumph of strategy or reflection of unstoppable change in the operating environments?

Multinationals find it difficult to remain at the top of their game for a number of reasons. Most have a slow decision-making process, made in far off offices located in Europe and United States. Others simply fail to carry out a precise analysis of the local consumers’ psyche and behaviour, consumption and spending patterns. Ideally, all markets including across Africa are not homogenous, but to the multinationals, they are. A mistake most multinationals make with shocking regularity.

**Entrepreneur**

NEVER SAY DIE

## When the going got tough, Dominic Webala got going

By **Samwel Kumba**

Ever wondered why challenges always bring out the best in you? Or why you produce amazing results under pressure? Or better still, why you tend to perform well on assignments in which you have least assistance by applying a try-and-error principle?

One Peter Dominic Edward Webala has learnt through a sink-or-swim experience to live to tell his tale.

Today, Webala believes that if you give the best to the world, the world will give you the best. For, Webala runs Webzz Tuition Centre, which has three branches located in Nairobi’s Kileleshwa, South C and Westands suburbs.

Though reasonably expensive, Webala is convinced that the results of his sweat are worth it.

“We are not a school. Our duty is tuition whereby we take in students who require more than just teaching . They need that one-to-one relationship with an instructor who then attends to their learning needs at individual level. We have had numerous cases where a student performing poorly spend, say, a month and their grades shoot from a D to a straight A,” explains Webala.

Though he has provided jobs for his over 30 graduate teachers who would be probably jobless, Webala is modest enough to admit that they are the pillar on which his ingenious business idea is blossoming.

“My staff read wider with more understanding and higher preparation than ordinary teachers for we do not have the luxury of a classroom. Here students come expecting to know what they want at the time they want it within a period they choose. It is tuition,” explains Webala.

Webala argues that unlike tuition, mainstream education system depends on short-term reproduction of materials (cramming).

He has reason to feel so. It was immediately after graduation from Kenyatta University in 1996 that Webala partnered with his classmates to set up an education consultancy firm which was, however, short lived.

But as a student, his ambition was to start a hotel business. Hence, after the collapse of the consultancy, Webala sold the idea to a former classmate who declined the offer forcing him to go it alone.

“Fortunately, I found a mud-walled house which was being let out for Ksh 1,000. I took over the house, sought financial support from my parents and set it running.”

His mother gave him Ksh 20,000 and with that, Webala managed to pay the rent, deposit and buy mats to cover the mud walls as well as purchase furniture.

In a few days, the hotel was up and running. But shortly, the budding entrepreneur saw a business opportunity when a friend who sold ‘everything and anything’ including tuition sought his services. Although it had never dawned on Webala that he could be a teacher, since he even considered teaching a lesser profession, he had no option but take up the challenge.

“From his perspective, my joining him was to widen the distribution network for the business.”

Webala reveals that the business did not pick up and they decided to pursue tuition, even if he, unlike his colleagues, had little idea what it entailed.

"I was doing it for the sake of it."

To his surprise, his colleague granted him partnership in the business, a decision that excited Webala though he never quite understood the concept of the business.

As a Bachelor of Science (B.Sc) graduate in Biochemistry and Zoology who did not nurture any ambitions to work in a laboratory, this was the best opportunity for him to stay in Nairobi.

"Along the way, the tuition did not work out as we anticipated. By July 1997, we had only four clients. I later learnt-though I expected it-that I was the reason we were losing many clients. By then, I was not as friendly , having been a rugby player," Webala confesses.

He used to intimidate people around him including students. One day, his partner informed him that clients, among them students, were complaining about him. The partner opted out of the business.

"He advised me to go and learn how to live with people. At that point, we parted ways and he left."

Webala started evaluating his life right from his wardrobe. Though down, he was definitely not out as the small hotel acted as a financial backup. Left with the struggling tuition business, he had no way of being contacted by prospective clients.

Fortunately, one of his clients agreed to let him use his telephone to be contacted by respondents to advertisements he had placed in the newspapers.

"In essence, that is how the idea of tuition was sown in me. It is at that point that I assured myself that surely, I better learn how to live with people. That is why, instead of brainstorming to start Webzz Tuition Centre, I stumbled upon the opportunity."

As Webala was struggling to raise the tuition centre from scratch, he pumped into some of his classmates who were working as pharmaceutical representatives.

"They were obviously living better than me since they were driving. They invited me to join them. Actually, one of them invited me for a job interview at Philips Pharmaceuticals, and had basically paved the way for me to join the company as a sales representative."

Webala realized the panelists were overly good to him, something he never wanted. Expecting to be asked questions without guidance, he wanted to be 'himself' and subsequently failed.

"It was really a terrible interview and after all the efforts, I think they concluded I was not the kind of person they wanted. However, after I stepped out of that room, I swore never to go through such an experience again. I swore that the next time I went for an interview, I would be ready. I will never fail."

Evidently, Webala was later called for an interview with another pharmaceutical company-Assia Pharmaceuticals-who after the interview absorbed him. They, however, did not live to his expectations.

True to his word, after a few months, he secured a job at another company-Dr Reddy's Laboratories.

As entrepreneurial as ever, Webala soon realized that the time he spent marketing the pharmaceutical products was actually enough for him to market his tuition idea.

"I therefore quit formal employment and engaged in selling the tuition idea. I equally benefited from the networking I had established while working as a sales agent for the pharmaceutical companies. At that point, I felt I needed an office and a phone. I got the office at Westlands and registered Webzz Agencies."

Determined to make it this time round, one morning he decided to explore the whole of Moi Avenue and, at the end of the day, he had got only two clients. The second day, he tackled Kenyatta Avenue and, at Uganda House, he got another client. After that, he never went out to look for clients any more. These initial clients spread the 'message'.

The rest is history.

He takes issue with multinational banks having been betrayed by one with which he was a loyal customer.

"The said multinational disappointed me when I needed it most. I was almost being thrown out of my business premise. They disowned me and I had to get help from a shylock."

Webala had partnered with four friends to expand the business when they landed a contract with the Kenya Agricultural Research Institute (KARI). Disaster was to strike when they were paid as the partners made away with all the money including staff salaries.

"I had to sit down with my staff and we had to agree how to amicably sort out the mess. I dropped the partnership bid. That is a forgotten matter now."

If lessons on survival are valuable, then Webala is a living example.

**Q&A**

# Akaranga on Ford Kenya polls

**Q: Mr. Akaranga, you were one of the Ford Kenya politicians who last week forced chairman Musikari Kombo to postpone the party's grassroots elections. Does that mean that you are not ready to face Kombo and his team?**

**A:** I am ready for elections but the party is not ready. There are no registers in place, no membership cards. So, who is going to vote? Who are the returning officers; there is none on the ground.

**Q: Then why did the chairman decide to call for the elections, does he want to rig them?**

**A:** The chairman has purchased many cards that he has distributed them to his supporters. He wanted us to buy the cards and distribute them to our supporters. That is not the way a party should be run because a party is supposed to have a list of members throughout.

**Q: There are claims that Narc Kenya is trying to interfere in the planned Ford Kenya elections to ensure the candidate most likely to align it to Narc Kenya wins. Are these claims true?**

**A:**I am not aware of that and if indeed we have people connected to Narc Kenya and who want to be officials of the party, then it is unfortunate because a person looking for leadership must be somebody of integrity, one who has been tested elsewhere in leadership.

**Q: You are vying for the post of chairman, which means you have your sights trained on a higher post, I mean the presidency. Is that the case?**

**A:** That is where we fail as Kenyans. People just wake up and declare that they want to go for presidency. You know the presidency is a very important office.
Anyway, if my party nominates me to go for presidency, I will not let them down, I will go for it.
Read the constitution of Ford Kenya, yes if you are the chairman, you are naturally the presidential candidate but it goes further than that. You see, Wamalwa (the late Michael Wamalwa) was the chairman of Ford Kenya but he joined hands with Kibaki, Ngilu, Raila and other people and they entered the field as a team . That is what we want.

**Q: Ford Kenya is neither in ODM-K and Narc Kenya. Does that mean that the party has lost faith in coalitions?**

**A:** The way Kenya is today, no single party can win an election, and you must join hands to come up with one strong movement. Coalition is the way forward in this country. They can be formed before or after elections but you must start the talks before the elections.

**Q: You come from Vihiga district, which is in the southern part of Western province, yet Ford K draws support mainly from the northern parts of the province, particularly Bungoma district. Do you think you have a chance against Kombo?**

**A:** That is part of my strength because people have always looked at Ford Kenya as a Bungoma party yet the people of Bungoma have nothing to do with that perception. The leaders are the one who have made the party to look like a Bungoma party. But the people of Bungoma are now saying that the leadership of the party should go to the hands of other people, they are democratic.
**Q: Do you have national line up?**

**A:** Yes, I have national line up but that is my secret weapon.

**Q: There is this talk about Luhya unity. Do you think it is a good idea?**

**A:**I have attended all the Luhya unity meetings except the one that was in Lugari because I was in Australia. I am one person who supports the Luhya unity bid because I believe any group that will not work together is doomed. So, Luhyas want to come together and vote as a block in the general election and presidential elections. I want to assure you that this is the only time that they will vote as a block. I have been talking to Luhya intellectuals and all of them have told me they support the Luhya unity bid.

**Q: What is the role of former minister Cyrus Jirongo in this affair**?

**A:** Jirongo has been attending unity meetings as one of the Luhya sons.

**Q: Your opponent in Sabatia, Musalia Mudavadi is one of the leading lights in ODM-K. He has a big profile. Do you have a chance against him come next year?**

**A:** Which big profile? Ask anybody in ODM, he or she will tell you who is going to be the presidential candidate in ODM. Raila is not a fool to invest so much in ODM if he is not going to be considered as a presidential candidate. No shrewd businessperson or politician will do that.
How much has Mudavadi invested in ODM? A person who is going to stand for presidency must start showing the signs .The signs are that ODM will field Raila or Kalonzo Musyoka
Even if Raila said Mudavadi *tosha*, Kenyans will not vote for him simply because of that. Raila is the one who said Kibaki *tosha* and see what has happened. Kenyans are fed up with this so-called *tosha*. We in Ford Kenya will go in with our new motto Pambazuko Chipya, Pambazuko Chipya.

**Q: But should ODM nominate a Luhya to stand for presidency, will that sound the death knell for Ford Kenya?**

**A:** If I take over the leadership of Ford Kenya, ODM will not be a factor in western province, mark my words, if I take over, ODM will not be a factor. I have received so many messages from church leaders who are telling me please go for it, we will support you.

**Q: Lets now talk about your docket as minister for public service. Recently, you were quoted saying you are in the process of working on amendment to the pensions act. Where are we so far?**

**A:** The pension act is being reviewed and I have asked my permanent secretary to appoint a task force. The reason why I have asked for a task force is I want to have divergent views mostly from the pensioners. The issue of people sitting in head office and coming up with rules that affect pensioners is not proper, that is why we want o involve the pensioners themselves.
Recently when I was in Nyeri, pensioners come up with very good suggestions. You see the current pension scheme favours foreigners and not Kenyans. It was made with a view to help the whites. It was drawn in the 1950s for the foreigners so that when they go home, they enjoy the benefits.

**Q: Which other plans do you have for Kenyan pensioners?**

**A:** We have 170, 000 pensioners. If this pensioners came up with an association and each pensioner contributed just Ksh 20 shilling in a month, it will total Kshs 3.4 million per month, which is a lot of money.

This money can be invested in income generating activities for the pensioners and the association will lobby for their interests. They can lobby to have one of them nominated to parliament because we are talking about 170, 900 people, if you consider the multplier effect; you are talking about many people.
Most pensioners are living in abject poverty; they cannot even afford a meal. Imagine when they fall sick, who takes care of them, which is why we want them to come together.

**Q: The government recently launched what you call the Rapid Results Initiative. Is it working?**

**A:** Rapid Results Initiative or RII is an initiative to help our people to achieve the results spelled out in the performance contracts. So, we come up with programmes, first of 100 days to fast track results. From 100 days, we will go to, say, 400 days, and we expect at the end of the day to change the culture of our people. We want civil servants to look at work as a culture and deliver quality services to our people.
It is going on well .I want to encourage Kenyans to report any officers, who are lax, people who are not working.
We want to improve on service.
There is improvement. Recently I visited ministry of lands office in Bungoma anonymously and I was impressed although the office does not have enough officers.

**Security**

# Intrigues in multibillion industry

By **Guchu Ndung'u**

Clumsy in a faded uniform and wielding the trademark baton, Jeremiah Wekesa stands guard at the foyer of an upmarket office block. He salutes some of the young executive in well ironed shirts with cufflinks passing by.

Wekesa is one of the estimated 100,000 guards in the multibillion private security services provision sector in the country guarding many commercial buildings, residentials and offices as Kenyans become more concerned with their safety.

According to a research conducted by the Steadman Group, crime was on the decline in the month of October but carjacking and burglary, mostly carried out at night, increased by 1 per cent and 8 per cent respectively.

While the police and relevant security organs were put on the spot, as has been the case in the past, little was heard of the private security business industry.

Though security companies are tight lipped about the nitty gritty details of their branded cashbooks, figures published by the Security Research and Information Center (SRIC) in 2004 show that the value of the industry was Ksh 32.2 billion and growing at an annual rate of 10 per cent.

"Going by the statistics and the annual growth, currently the industry is valued at Ksh 40 billion," notes Francis Wairagu, a researcher at the non-profit security think-tank.

This is a far cry from the Ksh 27 billion that the internal security docket received in this year's Budget after pushing the allocation through a hostile Parliament.

The spotlight shifts to major security associations where patriotism, price wars, a botched Bill and allegations of lack of standards and j*ua kali* operations characterize the industry.

If idolised, the industry would be like screen hero Tarzan in the Jungle, this time, their jungle being the security landscape in the country.

And that is why, according to the Kenya Security Industry Association (KSIA) chairman Jack Sempele, the organization was formed to streamline the industry and bring "some level of standards and order" to the industry.

"Licensing of security companies without any effective standards or regulation was and is still the major problem. KSIA's technical standards are the only national standards, and we hope they will be formally adopted as such," says Sempele, who is also the General Manager at G4S, which recently announced a pre-tax profit of Ksh 1.4 billion.

And that is where the rattling begins. For another security organization, namely, the Protective Security Industry Association (PSIA) has its own set of standards and modes of operations.

If anything, standards is one of the few common words that both organization share.

KSIA, which has 27 members employing over 30,000 personnel, is mainly viewed as an elitist club of multinationals and 'big' security firms whose membership criteria is considered impractical especially for local companies.

But Sempele hears none of that and adds that tags of a multinational are'' political hogwash' by companies that cannot meet the high international standards 'set by KSIA'.

"Every KSIA member is a company incorporated in Kenya; more than 99.9 per cent of all the people in those companies are Kenyans. Those talking about foreign companies have not done the groundwork or made the investment. They enjoy levels of patronage, disregard standards and law, and want to undermine serious competition so that a bigger market share is handed to them on a plate."

PSIA, keen to shrug off the substandard tag, offers that its members meet all the requirements of the law and was formed due KSIA's 'monopolistic tendencies'.

"There are no set standards of service by the government and PSIA also has its own standards which are recognized by the government. In any chance, who determines which standards are 'standard'?"poses Benjamin Kitua the secretary of PSIA and the managing director (MD) of Maxicare Guards services.

The organization has 72 members who employ a workforce of 45,000 personnel and was formed in 2004.

It is not lost to many observers; however, that efforts to form PSIA went to full gear after KSIA started putting up advertisements in the local press, advising clients to procure services from its members as they are assured of 'quality services'.

Most of the foreign missions and corporate customers are guarded by members of the KSIA while the bulk of small and medium businesses and, lately, the government constitutes the bulk of PSIE members clients.
John Kipkorir of Sentry and Patrols Limited attributes the situation to a bias against local companies by multinationals and embassies.
Ironically, both organizations insist they are united on 'security' matters but only differ on 'clientele and business' matters.
So, what are the standards? Who sets them? How are they affecting the security business in the country?
While the so-called standards mainly revolve around recruitment, training and technical standards such as alarm specifications and cash in transit, legal registration and physical presence of an office, the Pandora's box, however, is in the remuneration of guards
Remunerations is a major issue since manpower make up 60 per cent of the overall cost of the largely mainly manpower-driven sector and, any slight change, affects the price and, therefore the competitiveness of any bid especially, on businesses involving the government.
Since the inception of the government's ambition of contracting private security organizations to guard its buildings in the late 1990s, government contracts have become increasingly close to the radars of security companies interested in remaining in business.
And apart from companies meeting the minimum number of standards set by the government including registration and ability to execute the contracts, companies with the lowest bids stand better chances of bagging the contracts.
Lately, PSIE members have been bagging most of the contracts, mostly attributed to their inability to quote 'reasonable figures' on many a bids.
The incoming of the Narc government in 2002 government has, in their (PSIE members) own opinion, played a major role. According to Kitua, over 50 per cent of PSIE members' business is coming from the government and its parastatals.
"Currently, around 60 per cent of our clients are from the government," confirms Kaniaru Musei, a director of Kenya Shield Security Limited and whose clients include the National Cereals Board of Kenya (NCPB) and the Kenya Power and Lighting Company (KPLC).
"The government has leveled the playing ground and most of us can now fairly get government contracts. The networks of corruption and patronage could not let us (secure the contracts) during the last regime," says Kitua.
Previously, he offers, it was an 'old boys' network that mattered where bias, kickbacks were the order of the day.
More is in store for local companies especially if the draft public procurement regulations are gazetted. Under the regulations, local contractors will be given preference whenever government-procuring entities purchase goods and services whose value does not exceed Ksh 50 million.
The Public Procurement and Disposal Act refers to a citizen contractor as a natural person or an incorporated company wholly owned and controlled by persons who are citizens of Kenya.
With price wars, the ultimate winner or loser is the guard. Realizing that, their umbrella body, the Kenya Guards and Allied Workers Union (KGAWU) has taken the matter to the government through the Directorate of Procurement.
In a letter addressed to the directorate last September and exclusively availed to *The Financial Post*, the union named 18 security firms that, among others, 'underpay workers, do not remit union payments' and called on the government to compel them to do so.
The KGAWU list has members from both KSIA and PSIA including G4S, Wells Fargo, EARS/KK Security, BM, Collindale and Patriotic security firms, among others.
The union wanted the government to compel the firms to meet their obligations as condition for qualification for any tender.
The directorate referred the matter to the ministry of Labour and Human Resources Development for directions but we have since established that the ministry has not responded.
"Members from both organizations, with some exceptions, behave in the same way. They underpay guards, deny them a chance to join a union and poorly equip them," says Michael Sande, the Secretary General of the 10,000 member union.
Of course both organizations swear allegiance to the statutory Ksh 5,796 and a house allowance of Ksh 1,000 minimum wage set out by the government.
"These companies should be vetted to find out their ability to run an enterprise and in a sustainable manner pay their workers. Some of them are briefcase outfits that do their training at Nairobi's Jevanjee Gardens and Uhuru Park," notes Sande.
Indeed the above-mentioned research by SIRC concludes that there are over 2,000 security companies registered in the country but only 101 are members of either of the two organizations. And the government registration process does not help much either.

While companies indicating security as their operations are vetted by the National Security Intelligence Services (NSIS), the fact that one can escape this provision by registering a company with a different mission and still do security is worrying indeed.

“There is no vetting procedure and constant check to evaluate security companies. It is like a jungle in which some order is needed,” remarks Wairagu of SRIC who is also a lecturer of social and political philosophy at Moi University.

Attempts to bring sanity into the jungle were proposed in the Private Security Regulation Bill, which was drafted in 2004 but is yet to see the precincts of Parliament.

Among proposals contained in the Bill include the establishment of an authority under the leadership of a chairman that will be appointed by the president to vet, register and deregister security companies.The composition of the authority’s board under the proposed Bill has, however, left a bitter taste in the security organizations’ mouth.

Semplele, for instance, says that out of the 12 members of the authority, only two are representatives of security companies and thus are ‘outnumbered incase of any need for a voting exercise’.

“Since the Bill is all about the industry, we should have more representation in the composition of the authority.”

Though the authority is given powers to register security companies in the country, proposals in the bill also empower the minister in charge of security to confirm or vary decisions of the board upon an appeal by a prospective applicant.

Upon appeal, the minister’s decision is final.

“It negates the role of an authority in the first place if it will not be making independent and binding decisions,” notes Sempele.

Guards will have to be vetted by NSIS and must have a minimum of form four qualifications to be trained. If they are former security officers, they should get clearance from their former employers.

Security firms to be registered must state the type of security services-guarding, alarm systems etc-they will offer, show their ability to meet employee terms and conditions of services and meet other specifications as to be prescribed by the authority.

On the controversial issue of firearms, companies whose guards will be armed will do so upon complying with the Firearms Act.

Whether the Bill will bring order to the presently chaotic industry and a smile to the likes of Wekesa, only time and Parliament will tell.