The man behind milk money

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The man behind milk money

New KCC Chairman Matu Wamae

Kenya's new foreign exchange earn

By Justus Ondari

Like rivers during a rainy season, milk was flowing freely. Bad jokes were doing the rounds, one being that even dogs, leave alone human beings, had refused to drink more for they had had their fill.

With Kenya Co-operative Creameries (KCC) - the biggest milk processor- in financial doldrums, the country's dairy farmers had nowhere to sell their milk, leading to a glut.

In 2001, KCC's market share had plummeted to a mere 6.08 per cent. Brookside Dairy Limited had 33.21 per cent; Spin Knit Dairy had 31.29 and Meru Central Co-operative, 8.65 per cent.

As KCC was struggling to regain the lost market share, the combined assault of the raw milk hawkers and cheap powder milk from southern Africa made it virtually impossible.

Dairy farmers devised other ways of reaching the consumers. The raw milk-hawking sector became a major employer.

A survey carried out by the International Livestock Research Institute (ILRI)'s market oriented smallholder dairy project and Food and Agricultural Organization (FAO)'s animal production and health division showed that raw milk hawking was dominating the market.

It said that about 55 per cent of all milk marketed by some 600,000 small scale farmers was actually sold directly by farmers to neighbouring consumers and institutions.

Only 12 per cent of the milk produced annually was sold directly to processors. The survey was carried out between April and May 2001.

Eventually, the creamery was placed under receivership over a Kenya Commercial Bank (KCB) Ksh 1.2 billion debt. Later at an auction, no reserve price was set, and the Ksh 400 million offered by shareholders that included Timara Properties and Cherry Hill Limited trading under KCC 2000 carried the day.

Fast-forward 2003. The Narc administration came to power with a pledge of reviving the economy in order to create wealth and 500,000 jobs per year.

Among the policy measures the administration put in place was the repossession of the assets of KCC from KCC 2000. It renamed the company New KCC and appointed a new board chaired by long-time parastatal chief-cum-businessman-cum-politician Matu Wamae.

"It was felt that the government, on behalf of Kenya dairy farmers, would buy the defunct KCC assets so that after rehabilitation, the company can be sold to the Kenyans," explains Wamae.

New KCC started as a cooperative society but in November 2004, the government paid KCC 2000 shareholder Ksh 547 million for all the assets and it became a state corporation.

"After negotiations, the government paid the amount because it did not want to be seen to be taking people's property without compensation. Now, New KCC is a state corporation 100 per cent owned by the government," says the former Mathira Member of Parliament.

Condition

The former long-serving Industrial and Commercial Development Corporation (ICDC) chief says when the new board took over, "the company was in pieces".

Most of the machinery was dilapidated and only three factories - Dandora, Sotik and Kiganjo- were operating out of the 11 cooling plants, 11 factories and six depots. The company had only 200 workers who were not being paid regularly.

"When we took over, we did not receive any money from the government. All we got were the assets." Once beaten, twice shy and the new management faced a Herculean task of convincing farmers to start supplying New KCC with milk.

"I remember traveling three times around the country talking to farmers about New KCC. They feared they would lose their money as before," reminisces India's Delhi University Bachelor of Arts (BA) economics graduate.

Dismissed from their jobs with KCC without pay, even former employees wanted nothing to do with KCC, KCC 2000 or New KCC for that matter.

"Services like water and electricity supply were disconnected in most factories as the bills had not been settled for years. When we went to negotiate, we were told to first pay the whole debt."

"It took us a lot of negotiations to convince them that whenever a receiver is appointed, all debts of a business 'get lost' and one cannot get recourse. That is why when KCC assets were sold for Ksh 400 million, naturally the security holder, KCB, lost nearly Ksh 800 million. There were no enough assets for every creditor."

In all, everyone with any link with the defunct KCC was not sure New KCC would be able to compete against very well established processors who had joined the market after the sector was liberalized in 1992. There were more than 40 companies in operation.

"The situation we found ourselves in when we opened was very hostile."

Reopening

Efforts by the new board saw the negative attitude towards New KCC thaw and farmers started supplying milk, supplies of services like water and electricity resumed and doors of KCC factories were flung open.

Wamae reveals: "Only Sosian and Eldoret which need major repairs remain closed but soon we are going to reopen them since we have got a Ksh 110 million loan from the government."

While touring the Eldoret factory last year, President Mwai Kibaki ordered the release of the loan to the company on seeing the condition of its equipment.

New KCC, with a staff of over 1,000, is the only processor with powder milk producing facilities.

The Eldoret-based Sosian is a powder milk factory just like Kiganjo and Kitale factories. Dandora is a fresh milk and butter processing facility while Nyahururu is for ultra-heated (UHT) long life milk products. Sotik is for fresh and long life milk and Miritini in Mombasa produces fresh milk.

The chairman says New KCC has turned around and is making profits and promises that soon they will submit their returns for the year ended June 30, 2006 to Cooperative Development minister Njeru Ndwiga.

"I cannot say how we have done as the auditors are about to finalise their work. But Kenyans are going to be happy that despite meeting huge operating costs such as farmers' payments, due to our efficiency, cost reduction measures and reduction in wastage, we have made a profit," intimates Wamae.

Capacity

The dairy industry is one of the fastest growing sub-sectors of the economy. Milk production in the country has tremendously increased.

KDB Managing Director (MD) Machira Gichohi says a total of 140 million litres were received by processors in December 2002. With the introduction of supportive policies and regulatory environment, the supply rose by 140 per cent to 340 million litres in December 2005.

According to the Economic Survey for 2006, the volume of marketed milk rose by 21.2 per cent from 274 million litres in 2005 to 332 million litres in 2005.

Wamae notes that until 2003, farmers were unhappy with the milk industry. But by 2004, with New KCC increasing milk prices from Ksh 8 to Ksh 16 per litre, the farmers increased milk production by 35 per cent. In 2005, it increased by 24 per cent while this year it is likely to increase by over 20 per cent this year.

"We are able to pay farmers for their milk by the 15th day of each month. No wonder, of the 25 million litres of milk processed in August, New KCC processed 10 million litres. Some of it was processed into powder milk for later use, especially in dry season. This gives us about 40 per cent market share."

"We have been able to penetrate all the markets we lost when KCC collapsed," Wamae proclaims proudly.

The company has equally initiated measures to boost farmers' production capacities. For instance, recently, New KCC has just signed a deal with Equity Bank for a three-year Ksh 500 million credit line for small scale dairy farmers that will see dairy farmers across the country obtain micro finance loans from the bank to build their dairy stocks and buy farm inputs without security.

However, Wamae warns that if the production continues to rise, it will outstrip the processing capacity of the country's over 40 processors.

In a bid to reap the benefits of the booming sub-sector, New KCC is undergoing an ambitious expansion programme.

"We are modernising because our aim is to not only maintain our position as the leading milk processor in the East African region, but also process products of the highest quality to compete against the best in the world."

Among this is the increase of the Nyahururu factory packaging capacity for UHT and opening of the Sosian drier which can process 100,000 litres of milk per day.

Market

With the increased capacity, lack of adequate markets for the milk may become the Achilles heel for the processors and New KCC is acting.

New packaging process using polythene bags through a system sourced from India has seen the company reduce the price of milk.

"We have reduced the price of half and quarter litre of milk from Ksh 30 to Ksh 20 and Ksh 20 to Ksh 10 respectively. This has enabled us penetrate the slum areas for the first time. This way, we have cut down on hawking of milk," says the Kagumo High School alumnus.

The soft-spoken entrepreneur who boasts of a large personal business portfolio feels poverty is declining in milk processing areas due to New KCC's 'price increasing effects'.

"If you have two cows selling 20 litres of milk a day at Ksh 15 per litre gives you Ksh 300 per day and Ksh 9,000 a month. If taking care of the cow costs you Ksh 3000, you remain with Ksh 6,000 a month or Ksh 200 a day. This is way above the famous US$ 1 (Ksh 71) per day poverty line," Wamae calculates.

Still, the push into slum and low income residential areas cannot cope with the expected increase. Outside markets, especially in the neighbouring countries come handy and New KCC already has its foothold in Tanzania and Uganda, Rwanda and DRC Congo.

Noting that Southern Sudan offers a potential market, Wamae reveals that a number of countries in the region may not be welcome.

"Some countries are erecting non-tariff barriers particularly in southern Africa. Many are dominated by South Africa and do not like Kenya to penetrate their markets."

Rooting for increased local milk consumption, Wamae feels initiatives such as former President Daniel Moi's defunct programme of supplying milk to schools especially to the arid and semi-arid areas (ASALs) -albeit under a new structure- may provide a viable market for the product. "We can supply schools with enough milk but someone has to pay for it," says the New KCC chairman.

In the 1980s and 1990s, the government supplied milk to the country's primary schools but the scheme was later abandoned.

Competition

Wamae says: "We are not afraid of any competition nor are we asking for any favours. Let the consumer decide because we believe our products can effectively compete in the market."

In this regard, the company has introduced new products to complement its renowned ones.

Management

Wamae says he introduced systems and efficiency in New KCC by drawing from his long stint in ICDC between 1970 and 1980 and running his own businesses.

"The old KCC went under because of corruption ranging from petty theft by a messenger to grand theft by directors. We had to introduce a zero tolerance to corruption and fraud system of management," says Wamae who lauds the government for not interfering with the company's day-to-day running.

On the alleged edging out of the former New KCC general manager, Wamae says his term expired and his successor will take over this Friday.

"We have recruited some of the best brains in the industry and are set to get the latest computer system to run the business."

Way forward

He calls for rehabilitation of roads, especially in milk producing areas while advising Kenyans to drink milk. There is this misconception that milk is for children and not grownups. It is a wrong habit that developed when the country did not produce enough milk. One should drink at least three glasses of milk a day. It is healthy than chemically treated drinks like juices. For weight conscious Kenyans, who need low-fat content milk we have it."

Wamae cautions Kenyans to shun hawked milk.

"It is unhygienic and risky as one can easily contract diseases like typhoid, dysentery and TB. Milk is a good media for growth of bacteria and one may opt to spend little on hawked milk but end up spending more on treatment," he warns.Tetra Pak MD Anders Lindgren observes that although there is a marked improvement in safe packaging in the dairy sector, a lot of milk, especially in the urban centres, was still being sold in unhygienic conditions.

"Out of the milk produced in this country annually, only 10 per cent is processed to the required standards," regrets Lindgren.

Back to Wamae, is he planning to gun for his seat next year?

"Time will tell. By next year, we shall know how things unfold. For now, we are just keeping our fingers crossed. But I am so busy now with New KCC matters. We want to prove that one can run an organization like New KCC efficiently and benefit majority of Kenyans. It gives me a lot of happiness in doing just that," concludes Wamae.

MSE Sector

Govt rolls out plans for Jua Kali

Grand exhibition for players planned for December 3

By Jackson Okoth

In Germany, when a Mercedes Benz vehicle breaks down, it is taken back to the factory and the entire engine replaced.

But should a similar car break down along a potholed road within the shanty village of Kawangware in Nairobi, one James Mwangi, clad in a torn, greasy overall and sandals, would emerge from under a tree shed to repair the machine and put it back on the road.

Such is the potential of the Micro and Small Enterprises (MSE) sector or the informal economy in Kenya. Also known as the jua kali sector, highly skilled artisans like Mwangi are slowly changing their mode of operation following support and intervention in the sector by relevant ministries and agencies.

Soon, artisans in manufacturing and services sectors may have their products branded and bar coded as the government steps up efforts to promote and support the MSE sector.

Dishon M Njere, Director-Department of Micro and Small Enterprises Development at the Ministry of Labour and Human Resource Development told *The Financial Post* that the government is keen to support the sector, which has been neglected for decades. "Sessional paper number 2 of 2005 now captures issues on the MSE sector, including a working matrix," says Njere.

The department has designed various intervention policy measures for the development of the sector.

“We are now encouraging artisans to form associations and savings and credit co-operative societies to encourage savings. We are also facilitating the acquisition of land and developing the necessary infrastructure,” says Njere.

Presently, the government, through the labour ministry and other line ministries, is developing over 55 sites and sheds countrywide at a cost of Kshs 136 million.

It is also coordinating capacity building for various MSE associations, estimated at over 742, based on eleven sectoral areas.

“We are also engaged in skill improvement and technology transfer through the establishment of national demonstration centres, where we hold workshops and seminars to train artisans on how to make and use new machines and technology,” explains Njere.

Figures indicate that the department spent Kshs 124 million last year to develop several artisan sheds compared to Kshs 136 million used this year. “ We have already made submissions requesting for funding to the tune of Kshs 3 billion to enable us fully provide support to the MSE sector”, says Njere.

Available statistics indicate that the MSE sector comprise 2.6 million jua kali artisans and 2.5 million street traders, all contributing an estimated 18.4 per cent of overall local production (GDP).

It is also the only sector in the economy that has proved capable of providing ready employment, now employing an estimated 6.7 million people or 74.2 per cent of the total labour force.

While efforts are being made to organize the sector, a major challenge remains that of artisans being reluctant to be exposed and formalised.

“We have noticed that majority of artisans are reluctant to grow big lest they attract the attention of revenue authorities. They thus prefer to grow horizontally instead of vertically,” says Njere.

But the cost of informality is high, especially not being able to tender for government jobs, obtain certain licenses as well as access credit from established commercial banks.

“After settling the informal operators, most refuse to grow for fear of being captured by KRA. This is because the current taxation regime is not friendly to the sector,” says Njere.

While there has been a misconception that the MSE or *Jua Kali* sector is composed of *jiko* and metal sufuria fabricators, the list of players in this sector has been expanded to include artisans in manufacturing and services, small traders, street vendors and hawkers engaged in both farm and non-farming activities.

Apolicy document from the department of MSE development captures impediment to the growth of the sector. These include poor access to markets and financial services and an unfavourable policy, legal and regulatory environments.

“The private sector, including large commercial banks and lending institutions need to realize that there is money to be made from this sector,” says Njere. Presently, a number of commercial banks are developing products for this sector although they are yet to penetrate this market.

“Most of these multinational banks now coming into the sector are not genuine. It is the local institutions who have gone the extra mile to organise the sector and take the risk of doing business with the informal sector,” says Nicholas Mugambi. Mugambi, who is a project manager at the department says local financial institutions like Equity, K-Rep, Family Finance and Faulu Kenya, to mention but a few, have gone the extra mile to do business with the MSE sector by organizing its ‘chaotic’ and informal nature. This is a road the big banks are unwilling to travel. It is a fact that majority of indigenous banks, including Equity and K-Rep owe their success and rapid expansion largely to this sector. These local institutions have begun micro-finance lending schemes, mobilised groups and taught them how to save as well as benefit from their money.

British American Tobacco (BAT) Kenya Limited is one of the private sector players who have come out in support of the sector. It has been providing a platform for the artisans to market and sell their products and services.

Plans are already underway to hold a regional *Jua Kali Nguvu Kazi* exhibition, to take place in Dar es Salaam between 3rd and 13th December, this year. The event, being organized under the East African Community umbrella, involves participation of artisans from Kenya, Uganda and Tanzania as well as Rwanda and Burundi.

“We are facilitating artisans to participate in the exhibition by wavering tax at the borders as well as transporting some artisans to the exhibition,” says Njere. The government is also offering tax holidays, offer clearance services and hiring transport for those who will be taking part in the

event. BAT is the main sponsor for this year's event, expected to attract over 250 artisans from Kenya.
"This support has been in existence since 1999 when BAT came in with provincial and national exhibitions for Jua Kali artisans. We have since moved to the East African platform for purposes of marketing Jua Kali products and services from Kenya," says Mugambi. The artisans at the Dar Exhibition will be eyeing the enormous EAC market, with a population of over 100 million people.

National

Youngest MP's ideas on the youth and political leadership

Nakuru Town MP **Kariuki Mirugi** is one of the two youngest Members of Parliament. It is about four months since his election in a by- election. In the interview below, he tells Financial Post's **David Matende** (pictured) what his experience has been and his vision for the youth as well as what he thinks about the security situation in the volatile district of Nakuru.

Q.Mr Mirugi you have been an MP for slightly over four months now. What has the experience been like?
A.The experience has been good. I have learnt a lot and done a lot. At the constituency level, I have been able to reconstitute the CDF committees, and the bursary committees. Of course I did not change much. In parliament, I am learning how to contribute to motions and how to ask questions.

Q.Do you feel intimidated by the *wazees*?
A. No. Not at all. Most of them have been very supportive. Nobody has looked down on me. Even when it comes to discussions, they are ready to listen to me.

Q.Now you are a member of the Young Parliamentarians Association. What are your objectives?
A. Our main agenda is to address the main issues affecting young Kenyans. We need to have some common goals. One of the goals is to have many young people join parliament.
We also want to address other issues affecting young people like unemployment, poverty, and access to health care among others.
The association is a sort of forum for round table discussions so that when these issues come up in parliament, we can be able to push together.
As an organization, we think we can have some authority to push an agenda that is in the best interest of young people.

Q.So you fully support the *Vijana Tugutuke, Wazee Wang'atuke* campaign?
A. Of course we support that campaign. Indeed during the by-election campaign, it was like a rallying call for young people.
As much as we want to say that age is nothing but a number, a time comes when young people have to take charge for the sake of continuity.

We are not short of leaders in young men and women. A time comes when the older generation has to step aside.
We respect them a lot, they have gone through experiences which we young people have not gone through, they can be useful in terms of wise advice but they should also let young people take the wheels and take the role of leadership.
We don't want a situation where old people retire and leave a vacuum. The older generation should think about the future of the country, they should train young people to take over.
The Public Service Commission has had to rehire retirees because of lack of personnel and you really wonder why. Because when these people were in those positions, they did not train others to take over. We need to develop a culture where when someone leaves office, others can take over and run the office.

Q.Your views on affirmative action?
A.Yes, as much as we want women to be given one third of civil service jobs, the youth constitute a higher percentage, I believe slightly over 70 percent, a big number that deserves representation everywhere, including parliament.

Q. But are youth issues really different from issues affecting other members of society?
A. No, they might not be very different but the youth have different challenges. A youth is looking up to 40 years or 50 years but someone who is 60 or 70 may not want to change things as first as a youth. A youth will be thinking of getting a job because in the next few years, he will have a family. How will he pay fees etc. An older person may not see it that way.
Right now, unemployment is the biggest challenge because it affects behaviour. You hear of drug abuse, crime, you hear about Mungiki and Taliban. These would not be there if these people are given jobs.

Q.Let's now focus on other issues. You come from Nakuru district, notorious for the so-called tribal clashes .In your view, how can these clashes be stopped once and for all?
A. Our biggest challenge in this millennium is tribalism. I have been very close to these tribal clashes. When they happen, they really affect my constituency.
Even though these clashes do not happen in Nakuru Town, they affect it. There are so many street children in Nakuru town. These children are from Molo or Njoro. The parents have sent them to look for food because they have been displaced. Some of the people in the Nakuru slums like Kwa Ronda and Kaptembwa are from Molo. They were displaced.
So it has affected the local economy. Resources are being strained. We are competing with them for resources, so we cannot sit back and not talk about the clashes because they affect us.
Until the recent past, politicians have always been the people who fan tribal clashes.
We need to come up with strong laws on incitement or inciting remarks. There is no such law; someone can deny that they incited people.
All they do is ask of such people is to record statements, becausethere is no law that the police can use to enforce. We need to come up with strict laws that call for stringent measures and fines like they do in South Africa.
Sometimes politicians want to cause instability to influence voting patterns. They want to intimidate certain communities out of an area so that they can influence the outcome of an election. That is why it happens just before elections and in specific areas.

Q. But the government has the capacity to contain them, I mean the provincial administration…..
A. The provincial administration is also to blame. I am not impressed with the kind of measures they have taken. It is high time we reformed the provincial administration.
The chiefs are supposed to preach peace and bring the communities together by organising cross-ethnic activities to remove suspicions. But they have not been doing much. Instead they have been biased against certain communities, even in issuance of IDs and such like.
If we cannot have neutral provincial administrators in that area, let's get people from outside the areas. That would be one step.

But most importantly, we need better legal framework. If it means abolishing the provincial administration and coming up with people friendly structures, fine.
There was such a suggestion in the Bomas Draft but it was removed. But it was a very good idea. We need elected representatives to take charge of local affairs. People who are accountable to the public.

Q. You are among the few Narc Kenya MPs. Are staying put as we inch towards the general election.
A. One of the reasons I chose Narc Kenya is because of the tribalism in this country. You know Nakuru town is a cosmopolitan constituency and if a leader wants to be successful, you must be above tribal politics. Therefore, I need a party that stands for the same. You can see that in this party.
Also the party is new. The previous party (original Narc) had wrangles, leadership problems; I didn't want to join such a party. I wanted to join a party that has good leadership structure. We have, for example, a rotational chairmanship in Narc Kenya.

Q. Do you think it has a chance next year?
A. I think it has a good chance. Of course we were able to sell it to the people of Nakuru town and two other constituencies. So we believe that this will be the party of choice for many and we will work hard to sell it to the people.

Q. There are fears that because Kenyas politics has been ethniced, next year's poll might be violent. Are these fears misplaced?
A. The movement has guaranteed every Kenyan security. Politicians must restrain themselves from inciting Kenyans.
We have been very lucky as a nation, actually Kenyans are among the most patient people in Africa because despite continuous provocation, we have never taken it to another level, we have always been patient and we do not want any leader to take us to other levels.
Let leaders have the interest of Kenya at heart. Lets not think about ourselves, lets think about our children and our children's children.
Despite the differences of ideology, of politics or on implementation of government policies, these differences should not be used against each other.
The government must also provide every Kenyan with security so that they can make their choices without fear. Inciters should be dealt with decisively.

Q. Mirugi, when the president made changes to the cabinet some two weeks ago, he included MPs elected at the same time as you in the last by-elections. Do you feel bad that you were left out?
A. Not at all. When I was running for the parliamentary seat, my main goal was to be an MP. So I am content with that. And again it is the president's prerogative to appoint peopple to the cabinet.
And it is not bad to be a back bencher, I can ask questions, I can criticise the government which assistant ministers can't because of the collective responsibility.
I also have enough time to the go the constituency and talk to my people, listen to them. Being also my first time in parliament, I need more time to do some groundwork. So I am not bitter.
Coming from a cosmopolitan constituency, I have a lot of faith in Kenya. If this entire people have given me an opportunity to serve them, why should we not live in peace, what is the big deal?

Q. Let's turn to the economy. Some people say it is not doing as well as the government wants us to believe. Comment?

A. I think we are on the right track. We can be able to fund our budget up to 93 percent and therefore we are able to borrow less from the domestic market and we do not have to depend on donors and their conditions.
The stock exchange has made great strides. Government parastatals and even private companies are going public and Kenyans are buying shares. You have seen the

oversubscription. That is a show of confidence in our economy. Interest rates have gone down; they are now less than 20 percent.

Q. But people are still complaining?

A. That is one of the challenges, when you tell someone who is jobless that the economy is growing, they can't appreciate that.

But people should be patient, it is going take some time for the economy to generate jobs and that is when Wanjiku would start seeing some change at the individual level...

But it is getting better. There is improvement in sugar industry, milk industry and others. That is where the common person benefits.

People had very high expectations when this government took over because we were coming from a difficult situation and our people put their hopes in the government.

Things cannot change overnight, it will take time.

But at least there is free primary school education and money for bursaries.

All that is needed is better communication from the government to the people.

Entrepreneur

The business of saving time

This accountant believes that time is money and she wants to help you save it

By Mwangi Maingi

Have you ever wished for that time when you will have ample time for things and people that matter most to you?

What about an opportunity to avoid the city's traffic snarl ups and parking hassles to meet the deadline for a bill, quotation or invoice?

Relax. Jane Jerotich, the owner and director of Errands and Chores Professionals Limited has decided to save for you that most precious asset-time.

"Kenyans are getting busier each day, thus a consistent pressure to accomplish a lot of things within the shortest time in midst of straining infrastructures," says Jerotich.

The company which was established and incorporated early this year offers services that include utility bill payments, door-to-door courier services, meal delivery, floral delivery, post office runs, prescriptions refill, documentations, banking errands among other mundane tasks.

"As per the company's trading slogan of '*You say it, we do it'*, we focus on 'adding' hours to the clients in their busy schedules thus saving time and money," says the entrepreneur.

The process of modernisation in the area of service delivery has been a slow one, she says, because Kenyans prefer doing everything for themselves. Unfortunately, they end up accomplishing little.

"We established a gap and analytically identified the need for a professional messenger services and other errands for the society at a minimum cost," says Jerotich.

This led her to study the extensive messenger market, designed the operations and business plans to raise funds, thus the birth of Errands and Chores Professional Limited.

From the beginning, Jerotich had promised to accept the challenges so that she could feel the exhilaration of victory.

"It was never easy to start. Capital for instance was the major challenge in our business. Banks were adamant to offer loans to a start-up with no tangible collateral, just a business proposal by then," says the mother of two.

Some institutions would rather offer financial assistance to her as a customer for personal expenses than capture her researched idea and finance the business behind it.

Fear too was a challenge to the director, “It took me long to accept that taking risks is what defines an entrepreneur. Being like a newborn in the crowded messenger services sector, it seemed impossible to penetrate in a market previously dominated by the ‘big boys’,” she says.

It was also a challenge to convince people on the concept of spending their money to save time rather than vice versa.

“Many people would rather do the runs on their own at the expense of their time which works out to be more expensive to them and their employees,” agrees Jerotich.

To keep it up with the challenges especially financial ones, the director put together her personal savings as well as from her spouse to get on her feet.

Her view on success has been a major motivation, “Success to me has not been the money, status or fame, it is about finding a livelihood that brings me joy and self-sufficiency and a sense of contributing to the world.”

What was her major drive?

“We are driven by a five-pillar policy of speed, integrity, stewardship, accuracy and time management. We hold ourselves accountable to our results as a team,” she confirms.

The desire to meet the said qualities rules the majority of the business activities in Errands and Chores proffesionals Limited.

This has enabled it to have a variety of clients’ comprising Non-Governmental Organizations (NGOs), foreign embassies, government institutions, schools, churches, professionals and private companies in Nairobi and its environs.

Currently, the company boasts of eight employees with the director confirming that the concept is picking up in Kenya.

Though there have been many players in the business, the need to remain different has been strong.

“Our vision is to be the leading and preferred provider of time and convenience services in East Africa. We are determined to add value and be partners with our clients all the time,” she agrees.

Her views on success?

“Failure seems to be regarded as the one unpardonable crime, success as the all-redeeming virtue, the acquisition of wealth as the single worthy aim of life,” says the 31-year-old entrepreneur.

Born in Kapsabet District, she joined the Eldoret Polytechnic in 1994 for a Certified Public Accountant (CPAs) part one course from where she joined Strathmore College for the second part.

In 1997, Jerotich joined Earnest and Young Company as an audit trainee to later resign at the position of senior auditor in Eldoret branch after working for 7 years.

She continued her CPA course at Vision School of Professional Studies while still working at Earnest.

According to Jerotich, there is a need for any leader in business to continue acquiring more knowledge since things change very fast.

“Competition in business will bite you if you keep running; think of stand still, it will swallow you. This, however, calls for one to strive to balance the business, family and career to make it.”

About leadership and management?

“A boss drives people while a leader coaches them. The boss depends on authority but the leader on good will. The boss inspires fear when the leader inspires enthusiasm. The boss says ‘I’ when the leader always uses ‘WE’. The boss fixes the blame for the breakdown but the leader fixes the breakdown. The boss says, ‘GO’ but for the leader ‘LET US GO’.

According to Jerotich, many upcoming entrepreneurs lose their chance at making it to the top for their instant expectation of profit.

“Do not be desirous of earning massive profit quickly. Do not look at small advantages. Work on the business foundation thoroughly,” advices Jerotich.

There are few job opportunities for the youths in the current job market; a situation Jerotich says can be addressed by starting businesses.

“Make it a rule of life to never regret or look back. It is an appalling waste of energy, which one cannot build on. One is what he or she decides to become at long last,” she concludes.

Trade

Invasion from the East

Chinese taking over local construction works

By Jackson Okoth

A couple of years ago, you could hardly see a Chinese worker in the streets of Nairobi or other towns. But today, Chinese contractors and foremen are a common sight.

Jobs such as repairs, paintings, fittings and plumbing and such minor construction activities were the preserve of locals, but now the Chinese are taking over.

Mohammed Munyanya, Architectural Association of Kenya (AAK) chairman, says part of the reason local contractors are losing out is because they suffer from an image problem. “We are having a shortage of credible contractors as clients move away to foreign firms,” says Munyanya.

Apart from an apparent poor image, the huge margins in construction industry, standing at over 40 per cent, is attracting foreign players who are able to quote lower and thus push local firms out of business.

“The entry of foreign players is quality and price driven. It is also a factor of supply and demand with foreign contractors offering more competitive prices,” says Munyanya.

The influx of foreign firms into local construction business could have also been triggered by the exodus of local players to other countries in search of better terms.

One of the most critical problems facing local contractors is the issue of delays by the government to remit refund of input tax to contractors.

“As a result of this delay, a number of contractors are moving out to other destinations, causing huge losses to the industry and the country as a whole.”

This loss can be quantified in terms of uncompleted work and loss of expertise because of the exodus of these qualified contractors. Because of the exit of local contractors, an estimated Ksh 30 billion worth of projects are being held up due to lack of qualified personnel to execute them.

Further, the requirement that consultants have electronic tax registers is affecting the locals . Consultants maintain that they have low volumes of work that do not require record keeping using electronic registers, thus making the gadgets an unnecessary expense.

Curiously, it is Chinese firms who have invaded the construction business, using local *fundis* to do works on buildings in Nairobi’s commercial streets.

Evans Onyancha, MD Houseman Multiservices General contractors says foreign firms are able to undercut local players, owing to their credibility, wide network and financial muscle. But he says they are yet to encroach on the turf of local firms although they are slowly closing in.

Houseman, which deals in interior finish, painting, electrical, welding, plumbing and flooring works amongst other general works is amongst local firms competing for business with the transnational contractors. “Foreign companies are doing big jobs like rehabilitation of JKIA and road construction projects,” says Onyancha.

An official at H.Young and Company, one of the leading building and road construction firms, however, disputes the fact that local contractors are not credible. “There are many reasons as to why the Chinese and other foreign companies are finding business in this market. Mostly, usually involves private negotiations between the developer and a contractor,” says the officer, mentioning that it is thus difficult to know details of any contract between the client and a firm.

Industry sources also confirmed that the bar might have been set higher, beyond the reach of local firms, when bidding for jobs. For instance, certain clients insist that a contractor signs a performance bond of 10 per cent or more of the contract value with a bank. This requirement can be costly especially when a contractor fails to complete the job on time.

Further, most of the Chinese contractors have heavily subsidized operations, supported by the state back in their home country. Thus, Chinese contractors are able to quote lower than local firms due to their financial muscle. The Chinese also have more superior technology and equipment, giving them an edge over local contractors.

Developers and property owners now insist that Chinese firms are cheaper, more reliable and deliver higher quality work.

Kenya does a US $500 million (Ksh 35.5 billion) trade with China and is among leading Chinese tourist destinations (11,000 Chinese last year), one of the major reasons Kenya Airways, the national flag carrier, now flies to Guangzhou.

By June last year, Chinese companies had at least inked US $830 million (Ksh 58.9billion) project contracts in Kenya, many of which are in infrastructure construction. Thus, it is not a coincidence after all that the Chinese have moved from large complex projects to repairs, maintenance and general building and construction works.

Meanwhile, China's investment in Kenya stands at US$30 million(Ksh 2.1 billion) with Chinese officials optimistic that there is great potential for Chinese investment in Kenya in mechanical, electrical and textile products.

Trade between Kenya and China has grown by nearly US$ 280 million(Ksh 19.8 billion) in the past three years, making it the highest with any African countries. Bilateral trade volume was US$475 million(Ksh 33.7 billion) last year, up 29.7 per cent year on year, according to statistics.

However, Chinese officials admit that this growth is largely in favour of China. China buys from Kenya tea, coffee, flowers and leather among other products.

Kenya has been selected as one of China's main trading centers under a multi-billion-shilling project to increase trade between the Asian economic giant and Africa.

Under the plan, China will in the next few years build major manufacturing industries in Kenya to increase business between the two countries, and the major manufacturing interests 'will also act as links between China and Africa.'

In 2005, China's exports to Kenya totaled US$457 million (Ksh 33.7 billion), 31 per cent more than the previous year and imports from Kenya rose 4 percent to US$17.6 million (Ksh 1.2 billion)

The main imports from Kenya include fruits, scrap copper, cotton, hide and skin, coffee and tea.

In a recent event, African presidents gathered in Beijing to meet the Chinese President Mr. Hu Jintao, leader of the 'Red Dragon.'

A strong delegation of 48 African leaders were seated, ready to chart out their new partnership with China, a country only known and hated by the West for communism. This was indeed the largest gathering of African leaders on a continent not their own.

So why are African leaders suddenly flocking to China?

Africa has what China desperately needs: natural resources to feed its hungry budding industrial growth. China, on the other hand, has the money, a ready market and expertise to extract Africa's riches and give them value.

Elsewhere, Chinese companies are mining copper in Zambia, diamonds in Sierra Leone, and cobalt in the Democratic Republic of Congo. They are logging timber in Mozambique, Gabon, and Equatorial Guinea.