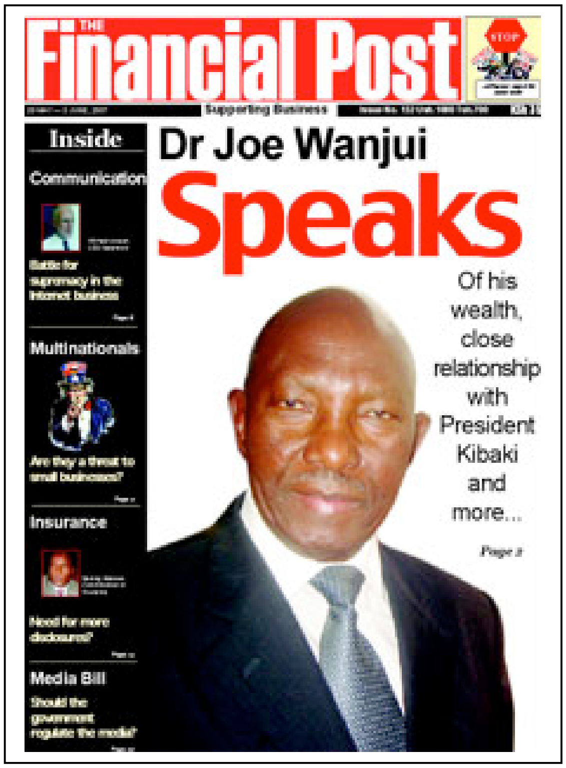

A walk through Dr Joe Wanjui's life

By Samwel Kumba

Meet Dr Joseph Barrage Wanjui, known less formally to his colleagues and golfing buddies as Joe or JB. He inarguably tops in a coterie of business personalities that have the worthy ear of the country's President, Mwai Kibaki. But if you thought that his closeness to the President explains how he acquired his immense wealth, you are dead wrong.

When *The Financial Post* (FP) arrived for the interview, he was scheduled for another immediate meeting and remarked, "I hope you will be brief". The crew acknowledged with starry-eyed expectations as he strode back to his official seat reaching out for a few cards. His gait is a semblance of a still very energetic man. It is hard to believe that he celebrated his 70th birthday on Thursday last week.

Wanjui easily reminiscences about his yesteryears, as a youth, an employee and currently a business personality, and a successful one at that, ensconced at his prestigious office at the 5th floor of his Highpoint Hotel located in Nairobi's Upper hill, next to the World Bank offices .The Bretton wood institution is also his tenant.

Perhaps one remarkable change that this business magnate has undergone is quitting what he loved to do at one time-smoking a pipe. Though he has never smoked a cigarette, he loved his pipe. Asked whether it was by design that he quit, he reveals that he was conforming to what most people think: That smoking is harmful.

To those who saw him grow as an orphan, given that his father died when he was only eight, this remarkable success is only a proof that anybody is capable of making it if they are determined and a saving culture is the rule of thumb.

Wanjui keeps a tight rein on media access and when he is in an open forum, he is handling issues that tell little to biographers.

Still, over the years, those who know him have attempted to paint the picture of the man behind an empire whose value we could not immediately estimate.

Invariably, were he ensconced at Wall Street, US, where he studied, the financial capital of the world, he would understandably remain stolid. For is he not the Croesus of the local landscape?

Raised by his mother, who was only a peasant-Wanjui does not regret his background, "I feel privileged that I did not have anything to look forward to. We had a small piece of land which, however, was sold. To me the fact that I had no land to look forward to encouraged me."

Admittedly Wanjui says that all he has made, he owes it to his mother. Infact when his mother died, in her tombstone, Wanjui wrote, 'all that I am my mother made me'. She was a woman he simply describes as having been strong, hardworking and focused. One who easily knew where she was destined to go.

But today, it is an indelible truth that Wanjui's name will eternally be associated with Kenya's corporate and the private business world as well as politics. But he has a sanguine character and detests shouting about what he does.

Despite his humble background, Wanjui emerged a top notch student in his academics. He qualified to join Makerere University from Mang'u High School having been invited do a degree in Medicine which however, was at variance with his dreams and ambitions.

In an unprecedented move, Wanjui easily turned down the offer and opted to go to the US. He received two scholarships-Fulbright and African-American Institute- and he preferred the latter because it did not require him to come back after his first degree. Thought to be top amongst the richest Kenyans, one can only wonder where he acquired capital to start his companies. Before going into private business, Wanjui's first port of call was as an employee of Esso. He started off in New York as an executive trainee.

However, his entrepreneurial skills can be traced back to his university days as a student. He worked and saved while he studied which developed his culture of frugality and investing enthusiasm.

It was in 1964 when Wanjui was to be posted to his motherland-Kenya-with Esso and little did he know that his corporate life was just but beginning. Prudence dictated that the employer accommodates this budding chief executive and he was booked at Nairobi's Norfolk hotel.

Hardly had Wanjui settled that an opportunity arose. The government was looking for an executive director with a Masters in Industrial engineering to head the Industrial and Commercial Development Corporation (ICDC).

Not letting the opportunity slip away, he applied for the job. "After the interview, I was found suitable. This threw me into a dilemma. I was still staying at the hotel at the expense of Esso. How could I justify the expenses and immediately leave the company for my new job?" However, Wanjui discussed it with the government which in turn discussed it with the then chief executive of Esso who understood and released Wanjui to report to his new destination. At the time Wanjui climbed to the helm of ICDC in 1964, Dr J. G. Kiano was the minister for Commerce and Industry and President Mwai Kibaki was the assistant minister for economic planning. Already, Kibaki and Wanjui were friends. But what the world sometimes forgets is that the billionaire abhors being pigeonholed into that angle of looking at things.

He often thinks that this would reduce him to a Lilliputian. Whether you hate him or like him, Dr Wanjui has given a life to thousands of Kenyans by creating jobs through the numerous businesses in which he has interests.
But when did he meet President Kibaki? “I have known the president for a very long time. Even when I resigned to join the East African Industries (EAI)-currently Unilever-he was the one to whom I resigned.”
Wanjui unreservedly expresses his respect for the president. Little wonder then that President Kibaki launched his book- *From where I sit-in* 1986 when he (Kibaki) was the Vice President and minister for Home Affairs. Kibaki is the one who wrote the book’s foreword.
“I think he is a true democrat. I do not know of any Kenyan politician in all the years I have lived, who is as democratic as President Kibaki. Even when he was the Vice President, he allowed everybody some space. He enables you to say your views without considering whether you are, in what they nowadays call ‘a Muthaiga member’ or from any other cadre, including a waiter,” Wanjui says of President Kibaki.
In his administration, President Kibaki is said to have taken a back seat leaving his soldiers do the work. His critics argue that Kibaki has lost control of his soldiers yet his supporters assert that although he does not go round shouting, he runs the country in a style that respects everybody who in turn feel empowered.
Undeterred, *The Financial Post* (FP) could not let the matter rest there, believing that the world would be keen to know the relationship of this multibillion business guru with the president. So FP inquired how often the president consults him. But his answer remained wooly.
“The president has his cabinet, the civil service and above all, he can consult whoever he wants. He is free to seek advice from all the people in this country that are interested in development. He is the president. If you notice, currently there is a well structured civil service, with a brilliant cabinet and Kenya has a lot of talented people which the president can consult when need arises.”
Wanjui supports the government’s dialogue with the private sector adding that results are being witnessed in form of more tax collection.
“It is not by accident that there is more tax collected. It is because people feel comfortable paying taxes. We have a mature leadership and I hope that Kenyans will vote back President Kibaki. I say this without any apologies,” Dr Wanjui finally settles any doubts that the two are indeed close.

Kenya’s economy
Today, Kenya has a vibrant economy. In the last few years, about four companies have been listed in the Nairobi Stock Exchange (NSE). According to Wanjui, this is a sign of economic minded leadership.
He explains: “President Kibaki understands the economy and does not seek to control it. He has liberated it. I don’t think we have ever had such an economic liberation since independence. When we talk about the Far East tigers, their economies were liberated and they took advantage of it.”
Wanjui argues that in economies where politics strangle the economy, a country cannot grow. He is convinced that Kenyans are responsible for the kind of growth being experienced. “People get the government they want. It is up to us to elect a government that can push the economic growth even further up.”
Asked to comment on what he thinks about the current government’s achievements, Wanjui cites such funds as the Constituency Development Fund (CDF), the Local Authorities Transfer Funds (LATF) and other devolved funds as essential for growth at the grassroots level.
“From what has been achieved including CDF funds, free primary education and above all the economic growth; I clearly know that a lot more can be achieved. However, I also know that there is a limit on what we can do with the income we have. But just as individuals, a nation should develop a saving culture,” he explains.
Wanjui cautions that a country should avoid over borrowing and live within its means. Otherwise, he says, the phrase that ‘Blessed are the young for they shall inherit the national debt’ will come to pass.
“Countries that go bust are the ones that often over borrow, in form of aid, which is a debt. Just like an individual, you cannot go and over borrow because you have a good relationship with a bank. What a government does must be measured against the available funds. Nations that over borrow often end up with unfinished white elephant projects, just because they want to look good. They stagnate,” opines the Vice Chancellor, who constantly enjoys a round of golf.
Wanjui, who appreciates leaders whose ambition is to see the country grow, commends the government for coming up with the Economic Recovery Strategy for Wealth and Employment Creation saying, “All the other Sessional Papers including Sessional Paper number 10 have been addressing the issue of poverty reduction. We now even have Vision 2030. If this is implemented effectively, by the year 2030, you will see a different country.”
Saying that banks are critical, Wanjui advises that the key to acquiring a loan is simply a good business model that would convince a financial institution that backing the model would be a worthwhile venture.
He has over time developed a good relationship with his bank-Barclays. He tells FP that from day one of buying the first property, Barclays has always supported him through every inch of development.
He explains: “Today, if I call Barclays, they will give me any money I want. This is because I have built a reputation with them. For businesspeople, especially the youth, once you borrow from banks, do not take it as an opportunity to squander and default on payment. Instead, build a relationship with your bank. That way, you will be in business. If banks trust you, they will push you to the top but if they do not trust you, they will bring you down.”
He confesses having had to visit the head of the bank then, Peter Nyakiamo, who could understand whenever he delayed payment.
When FP sought Wanjui’s comment on the stock market the answer was telling. “Warren Buffett, an individual who has so far donated Ksh 2.17 trillion ($31 billion), the world’s greatest donation ever made by an individual, to Bill and Belinda Gates Foundation, made his money on the stock market.”

As a Chancellor
Wanjui is in record as having opened the Vice Chancellors’ position to competitive bidding amidst criticisms. Today, he stands for the same school of thought that believes that all state parastatal heads should be subjected to the same process.

He explains: “I think it was a good thing and that is why other universities followed suit. We ended up having a very good Vice Chancellor. I always believe in competitive bidding. When I got my first job in Kenya, I had to apply.”
Arguing that he encourages responsible leadership even within the student fraternity, Wanjui is proud of student leaders who have maintained calm within the university.
“I believe the University of Nairobi has come of age and has responsible students. I have met with them as well as their student leaders on several occasions. In fact, recently they had change of leadership and they did this peacefully. Very few people noticed it. I normally tell the students’ Parliament that they are not the leaders of tomorrow, they are leaders of today,” he explains.
All the institutions that Wanjui has interest in are more or less run professionally, free from his direct interference. He says that this is not by coincidence, rather by design. But he always puts the foot on the pedal to avoid these institutions going tailspin in his absence.
“Organizations that are run best do not have people at the top putting their fingers everywhere. You select good people, they give you their plans and you support the plans. Then, you monitor how they are progressing.”
Saying that the current government is run in a similar manner, Wanjui argues that such a management style does not necessarily mean that one is not aware of the goings on or not involved with what is happening.
He explains: “Of course you have to know what is happening. There are parameters and you have to leave the people who are managing do their best in management and encourage proper reporting systems to the board level. In fact, most of the organizations I have interest in, I am involved at the Board level. The board usually has its function. Normally, we stick to what the board is meant to do and it rarely interferes with what the management does.”
Wanjui’s role model, he says, is his late brother.
“He was a man who was educated up to standard eight and comes from a generation that going up to that academic level is an achievement. In him, I saw and understood that one does not need high academic qualifications to be an achiever.”
Arguing that the world’s most successful people do not have academic excellence, Wanjui, however, expounds that education is paramount as it opens ones mind and equips them to address the world’s challenges.
He explains: “Bill Gates is a university dropout and so is Steve Jobs. Not that I don’t value university education, because if anything I even give scholarships to female students studying sciences in universities. However, university education is not an end in itself. It is a means to the end.”
Wanjui runs a trust fund sponsoring girls because he believes that the country needs more girls to study sciences at the university. He also argues that there are many needy students who can do with his support.
“I studied sciences and I think with that, one can do anything. To me, education is an eye opener,” he says.

Interest in politics
Asked whether having created his wealth, he was interested in politics, he says, “That only happens in Africa. Have you heard Bill Gates or any of the wealthy people in the world expressing interest in politics? I feel I am making a contribution through what I am doing.”
He believes that through business, one can contribute to the growth of a country arguing that successful businesspersons provide employment and thus contributing to economic growth.
“However, young people who feel they are called to politics should pursue their dreams, while those who are called into business let them become good at it. Prosperity of a country does not come from the politicians. It comes from businesspeople. It comes from people who are creating wealth and jobs,” emphasizes the soft spoken Wanjui, a serious look on his face.
Advising developing nations to cease from their begging ideologies, Wanjui feels that indigenous people should be proud of being wealth creators.
Little wonder then that Wanjui’s retirement from EAI was just a formality for he still works the same long hours and enjoys it.
“I am quite busy but I enjoy every bit of work I do. I do not consider myself retired per se. I find working fun. For example, I am about to inaugurate about 60 rooms for the High point hotel. I am also constructing a health club.”
Convinced that he has given FP what the world would be interested to know about him, Wanjui stands from an exquisite leather sofa he had sat on all this long in his befitting huge and pomp office and seeks to introduce us to his last born daughter who literally runs the hotel.
We then realized the interview had ended. We were also convinced that FP had unmasked Wanjui who has never granted such a lengthy media interview.

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The business magnet who rose from scratch

By **Jackson Okoth**
As *The Financial Post (FP)* crew rushed for this interview, striving to circumvent the late afternoon traffic, which was slowly building up from the City Centre, one thing was on every team member’s mind: To have an audience with one of the most self-effacing corporate titans to ever straddle Kenya’s corporate landscape.
On arrival at his High Point real estate and hotel property, situated on to the leafy suburbs of Nairobi’s Upper Hill, which was the venue for this meeting, *FP* was not disappointed in the least.
The bespectacled and clean-shaven Joe Wanjui took the crew on a roller coaster ride, through his corporate world, from the moment he made his first dollar during the 1960s racist and hippies America, as a student in New York, to the real-estate developer, wealthy tea merchant and political strategist he is today.
Dr Joseph Barrage Wanjui, who was born in Kiambu district, Central province is considered President Kibaki’s closest and most trusted confidant and regular golf partner.

After a scan on various biographies, blogs and public libraries, *FP* was able to paint a rough sketch of Wanjui's business interests, from real estate development, insurance and construction as well as agriculture, not to mention the academia and high corporate finance.

Wanjui's interests in the private sector are widespread and cross-cutting. He sits on various boards especially as chairman, with shareholdings in different firms including his flagship UAP Provincial Insurance Company which has substantial investments and a sizeable chunk of the local insurance services market, Stanbic and The Acacia Fund.

The diamond jewel on Wanjui's investment crown is the High Point Hotel property and grounds. This property is one of the most expensive addresses in the area, as well as his command post and business nerve-centre. The property houses his office on the 5th floor, the exclusive Hill Park Restaurant and Bar, apartments as well as a soon- to- be- completed health club. It is also here where the Nairobi offices of the Washington-based World Bank is housed, making him a landlord of the World Bank in Nairobi.

The value of this property, still being developed, is estimated to be worth a fortune. Wanjui is also said to own various other properties and office blocks in Nairobi, as well as substantial holdings and interests in properties along Kenya's pristine coastline beaches.

UAP also has business interests in Uganda and Sudan, giving the company a strategic regional presence and a large portfolio running into billions, with Wanjui as the principal shareholder.

UAP Provincial Insurance Company Limited is one of the leading insurance companies in Kenya. The company transacts all classes of general insurance in addition to marine, life, pensions and healthcare products.

As at last year, the company's total written premiums stood at Ksh 2.3 billion, pre-tax profits at Ksh 814 million with an asset base of Ksh 7.5 billion.

Wanjui is the largest shareholder of the company, controlling an estimated 35.25 per cent of Ksh 4.5 billion worth of shareholders' fund.

Available information also indicate that UAP holds substantial shares in other companies including ICDC, controlling 6 per cent market share and making 10 per cent of the entire industry profits.

"I became the chairman about six years ago. Over the period, the company has grown considerably," he says.

Previously know as Provincial Insurance Company of East Africa, UAP is the main jewel of Wanjui's corporate colossus. It has over the years grown through numerous mergers and acquisitions, the hallmark of an astute deal maker and a seasoned hand in business.

UAP also has interests in other firms, including ICDC, running into millions of shillings. Wanjui has a presence in Commonwealth Africa Investment Fund Ltd where he sits as chairman.

He previously sat on the board of Simba Fund Ltd and Pepsi Cola International and Grindlays Bank International. Wanjui's footprints in the corporate landscape can also be traced in scores of other public and private companies. For instance, he was at one time director of Kenya Times Media Trust and chairman of the Board of Fellows of the Kenya Institute of Management (KIM) as well as national chairman for the same organization.

For 16 years, he was the spokesman for Kenyan industrialists through his chairmanship of the Kenya Association of Manufacturers (KAM). He was chairman of the Kenya External Trade Authority (KETA) for over ten years.

Dr. Wanjui has also previously held a variety of government appointments concerned with industrial development, investment and trade.

The business magnate, whose career spans four generations, made his first dollar while still a student in New York in the early 1960s, during the apex of the civil rights movement in America.

He laid the foundation stone of his present empire after his university education. Wanjui worked briefly for the multinational oil company Esso in New York, before returning to Kenya, where he held several short-term management positions with Esso.

In Kenya, Wanjui left Esso to work with Industrial and Commercial Development Corporation (ICDC), a government-owned company whose objective was to boost private sector investment in the industrial sector.

While still with Esso, Wanjui was booked at the Norfolk Hotel, upon his return to the country. And from his savings, he moved from his hotel room and bought an exquisite house on a 25 acre piece of land in Limuru. This was after he had left Esso on a 5-year leave of absence, given by the then Esso CEO Bob Belknap. The company also cleared all his bills at Norfolk.

Wanjui was to sell off this property and home, nine months later and bought a new home in Nairobi's Lavington.

Already becoming a real estate developer and equipped with his savings and a disciplined saving culture, Wanjui also bought two large bungalows, crossing from one street to the other- one in Eastleigh's 11th street and the other on the 12th street.

Dr Wanjui continued investing in property from his own savings while still working with ICDC, based on an astute investment plan and projection that the value of these properties he was pumping money into would eventually appreciate in value with time.

He narrates to *FP* how he made his money, through saving and investing in land and real estate.

"In 1972, I bought this land from an old English lady, using part of my savings and a loan. I paid Ksh 400, 000 for it. The property then had only an apartment and a house," he explains.

He adds, "Since coming up with this kind of money was not easy, I had to approach the then Barclays Bank manager Peter Nyakiamo, who loaned me 90 per cent of the cash. I had to raise the rest. It was tough repaying this loan."

Using his own construction firm and support from Barclays Bank Limited, Wanjui has been able to develop this asset, for a period spanning close to three decades, into a heavily built-up 5-storied multipurpose complex, housing a hotel, apartments, his offices as well as a health club.

"The decision to form our own construction company saved us a lot of money," he explains.

Wanjui's business skills and networks spring up from his long stint in the corporate world, especially at the ICDC and the transnational East African Industries (EAI) Limited.

In 1968, he began a long association with one of East Africa's biggest and wealthiest companies, East African Industries (EAI) - a large-scale manufacturer of household goods partly owned by the British Unilever group of companies.

While at EAI, he rose through the ranks to become the Managing Director and later the executive chairman for 19 years. He retired there after nearly 29 years.
“I built a powerful organization dealing in the marketing and trading of consumer goods. Even today, Unilever is one of the largest producers in the world. In fact, my experience at EAI has helped me a great deal both in business management and investment. Now in my retirement, I am able to invest and develop my own business,” explains Wanjui.
It was after his exit from the multinational that EAI downsized its operations in Kenya although it still maintains a large presence worldwide as one the leading consumer companies in the world.
The company has since cut down its brands and sold off major brands to local players, including Kimbo and other fast moving consumer groceries.
Apart from being a real estate developer, Dr Wanjui is a keen farmer, owning a tea estate in Limuru. Dr Wanjui has since started processing and packaging tea branded ‘Kikuyu highland tea,’ after realizing that selling at the auction is less profitable.
However, Wanjui sees an opportunity in the tea processing and packing industry arguing that even if the country’s tea acreage was to be tripled, it would not earn the farmer as much as processing and packing would.
But, as he explains, packing has its own challenges. “The export of packed tea is a major challenge due to the fact that this market is dominated by the big boys.”
Wanjui began his early education in rural schools at Kabaa and Mang’u. He graduated in Physics and Mathematics from Ohio Wesleyan University in the United States of America and completed his post-graduate studies in Engineering at Columbia University of New York.
Upon retirement, he has since retreated to the private business world where he still remains active and prosperous. He now runs the Joe B. Wanjui Education Trust, his brain child, with the fund targeting female university students studying science.
The beneficiaries are usually selected from both public and private universities and are picked on the basis of academic excellence. The Joe B. Wanjui Education Trust is self-funded.
Dr Wanjui has committed his allowances as Chancellor of the University of Nairobi and pledged to use other assets to keep the fund alive. The trustees of the Fund are Dr Wanjui, his children Mboche, a businesswoman, Joyce-Ann Wainaina who works with CitiBank and Joseph Wanjui.
In the political arena, Wanjui has been a long-time political backer of President Mwai Kibaki, whom he has supported since the beginning when President Kibaki created the Democratic Party of Kenya (DP) in 1991.
Considered one of the “DP elders,” Wanjui is known as one of the president’s top confidants and one of his most influential informal advisors.
Dr Wanjui has had the good fortune of seeing all his children graduate from top universities in Kenya and the United States. The last born Jean Anne Wanjui — Ciiru — graduated from an American university recently and runs the High Point hotel property together with Wanjui’s wife.
Wanjui enjoys golf and spends most of his time supervising his businesses and having quality time with the family.
“What actually motivates me is seeing what I have acquired and my investments grow,” he concludes as he quickly moves to the front office to inquire about the whereabouts of his last born daughter, the manager of the High Point real estate property.
The meeting comes to a dramatic end as he rushes out for another function at the University of Nairobi, where the US ambassador was scheduled to give a public lecture. But Wanjui is courteous enough and opts first to have a quick snack and French soup at the cool and refreshing leafy garden Hill Park restaurant with his guests before dashing off to the university engagement.

Battle for supremacy in Internet business

By Jackson Okoth
Recent developments in Kenya’s Internet business has sent the country’s IT industry buzzing. The long-held market dominance of traditional Internet service companies is slowly eroding.
It has suddenly become a whole new ball game, with new players entering the field to challenge the traditional Internet Service Providers (ISPs) as the industry regulator, Communications Commission of Kenya (CCK), opens up this segment to competition.
As matters stand, CCK has already issued international gateway licences to mobile phone operators, Safaricom and Celtel, enabling them to provide Internet access to customers. CCK has also given a nod to local loop operators, including companies like Flashcom and Popote wireless.
This licensing regime change by CCK has been a major cause of worry to traditional Internet service providers (ISPs), who have suddenly found strange neighbours in their own backyard.
While the new entrants operate without an ISP licence, they not only provide access but also give Internet services to clients on their networks. Further, the anticipated entry of a second national operator (SNO) into the telecoms market is expected to crowd the field further, as the unified SNO licence holder will also provide Internet backbone services.
It is against this background that the ISP market has witnessed swift changes over the last couple of months. For instance, Africa Online, one of the major ISPs in the country was acquired by Telkom South Africa.
Then followed an Initial Public Offer (IPO) floated in the market by AccessKenya group, another key player in the major leagues. AccessKenya group is now raising funds to enable it expand, swallow competition and move into a fully integrated IT firm.
The anticipated entry of mobile phone operator, Safaricom, into the Internet business has now sent competition to new heights. The company intends to launch the Blackberry, a push-email devise, to be rolled out into the local market soon.
Blackberry, a hand-held device, allows users, especially Executives, to access e-mail and Internet services while on the move outside their offices.

This top-of-the-range product is tailored for the upward mobile, high income executive and the corporate segment, a niche already witnessing intense jostling by virtually all players with their latest fast speed broadband connections.

"Anybody in Kenya at the moment, with the right phone, is able to have Internet access. Our product is not only targeting the corporates. We provide countrywide coverage and therefore stronger than most ISPs," says Safaricom Chief Executive Officer Michael Joseph.

"The competition is good for the Internet business. The license allows for provision of Internet service over our network. We are not encroaching on anybody's turf," he further explains.

BlackBerrys devices support e-mail, voice calls, text messages, web browsing and other communication services.

Safaricom says it will officially launch the service next month and will release a comprehensive pricing guide then. With the industry going into mobile phone connectivity, traditional ISPs have also upped the ante. The entry of Safaricom, with its large capital outlay and network, is bound to catch the attention of many players.

AccessKenya MD Jonathan Somen says, " The company recently purchased its own gateway license as well as requisite licenses that enables it offer both data and voice transmission services to customers across the country. Our core business still remains corporate Internet connectivity where the company offers guaranteed Internet services as opposed to competitors like mobile phone companies, who offer a shared solution."

This company, which currently controls 32 per cent of the corporate market, with the highest number of corporate leased line connections, has had to style up quite considerably. For instance, it is now offering solutions that provide Internet delivery services at significantly high potential speeds, providing the company with an additional competitive advantage.

With local loop operators eating away into the lower end of the market, targeting residential Internet users, the larger ISPs are setting the bar higher by moving into the small office/home office and the high end residential customer market.

He says, "Corporates want a stable service that performs optimally throughout the day where the amount of capacity (bandwidth) available to them is constant through the day," says Somen.

The ultimate beneficiary of the heightened competition in the Internet business is the consumer who now has a choice and reduced prices as traffic within the various networks increase.

"In my opinion, in order to bring down the cost of Internet, we need to encourage more local traffic (as local bandwidth capacity costs less than international capacity) and the quickest way to build local traffic is to have an environment that facilitates e-commerce," says Somen.

Available figures indicate that Internet penetration in Africa, including Kenya, is still low, estimated at fewer than 10 per cent in Kenya in both the corporate and retail markets, indicating that a huge potential for expansion still exists.

Sunny Mangat, the Corporate Sales Director-Wananchi Online told *The Financial Post* that those ISPs that do not invest in their own infrastructure would eventually disappear from the market.

"We will see a lot of consolidations happening between now and the end of this year. We are in the process of acquiring two competitors who have no financial resources to build their own infrastructure. They have seen the writing on the wall and want to get out, so we are in the process of doing a couple of deals. Consolidation means we will add to our customer base immediately," says Mangat.

Wananchi online is in the league of other large players in the Internet business. The list includes Welim, SwiftKenya, AccessKenya, Uunet, Cisp, Form-Net, ISPKenya, IwayAfrica, Web, Iconnect, Beninda, Mitsuminet, Theonlinespace and Celadore.Net

This year is expected to witness more acquisitions and merger deals, with those without their own infrastructure networks being swallowed up by competition, industry sources say.

The first companies already off the blocks include AccessKenya group, which has recapitalized through the Nairobi Stock Exchange (NSE), raising Ksh 800 million. Then, there is Africa Online, which recently launched a new business strategy for Kenya, after its acquisition by South Africa's Telkom.

The other ISP fishing for deals is Wananchi Online. In November last year, this company went into an agreement with a company, owned by Richard Bell, called East African Capital Partners.

It then formed a joint company called African Telkoms Company. The objective was to enable Wananchi Online bid for the parent company of Africaonline.

Richard Bell's East African Capital partners then moved on to put together a massive cash war chest from overseas to enable the acquisition of Africaonline.

But the company lost the bid to as it could not match the one of Telkom South Africa, who eventually acquired the company. This development, however, has not dampened Wananchi's appetite for expansion. When the bid failed, Wananchi decided to inject the amounts into its own expansion.

" The same principles have agreed to put that money into Wananchi to grow its operations in Kenya as well as expand regionally. So there is a huge amount of capital available to us right now," says Mangat.

"One of the first things we intend to do is to begin building our own infrastructure. Traditionally, ISPs have relied on infrastructure provided by third parties like Telkom Kenya etc. That model now is going to be outdated, because the same infrastructure providers are now venturing into the ISP business. So the ISPs will eventually disappear," he explains.

"We are also in the process of acquiring two other competitors in this market as well as buying a complementary business in Uganda and another in Tanzania. This will immediately give us a regional presence," he adds.

Currently, Wananchi Online controls an estimated 15 per cent of the market as one of the leading data service providers in the country. Other key players in the Internet business, include the state-owned Telkom Kenya as well as the loop operators-Popote Wireless and Flashcom amongst others.

Edwin Muthi, the Popote Wireless director says, "The reason why Internet services in Kenya is expensive is because the raw material (bandwidth) is from the satellite. Some local companies are also engaged in overpricing."

He mentions that one of the challenges facing local loop operators (LLOs) is the high cost of bandwidth.

"We expect that the optic fibre will bring costs down, in turn, lowering what we can offer our customers," he explains.

Muthi says Popote is targeting the retailers in the Internet market. "To use cars as an analogy, we are an affordable Toyota Corolla-reliable run-around, affordable and reachable by many. However, if you want heavy-duty that can withstand all terrains like a Toyota Land Cruiser, one should go to other providers who sell you a solution that costs US$

1,000 (Ksh 67,000) to install and another recurring US $ 1,000 (Ksh 67,000) a month. This is as opposed to us whose costs is under US$ 300 (Ksh 20,100) to acquire & US $50 (Ksh 335) a month to run.
The state-owned Telkom Kenya, a long dominant player in the internet market, has had its captive market disappear as new entrants eat into its turf. Efforts to get a comment from the company were fruitless.

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Youth ministry to whet start-up skills

By FP Team

Unemployment has skyrocketed in Kenya with large numbers of graduates from universities and colleges having no matching job opportunities. This leaves the youth with no alternative apart from finding other means of fending for themselves.

Kenya has enormous development opportunities yet to be fully exploited. The country also has numerous projects with high returns.

In Kenya today, the youth and unemployment are virtually synonymous and often interchangeable words. Evidently, the government in 2005 created the Ministry of Youth Affairs (MOYA) to address youth issues, a first one since Kenya attained her independence.

Youth Affairs Minister Dr Mohamed Kuti has in the past said that his goal is to ensure Kenyan youths get to develop in all levels, especially entrepreneurship and leadership.

Dr Kuti knows that there is need to have youth participation in projects and programmes that will make them self-reliant and improve their lives.

“Youth ministry seeks to support such ventures. This perfectly dovetails with the Millennium Development Goals (MDGs), part of whose objective is to alleviate poverty through enhancing economic empowerment,” Kuti argues.

As the unemployment figures soar up, the government has already set aside Ksh 1 billion as the Youth Enterprise Development Fund ostensibly to empower the youth.

According to the Director of Training in the ministry of State for Youth Affairs Dr Dinah Mwinzi, the youth form a critical and sizeable part of the population, estimated at over 64 per cent.

“It is in appreciation of this fact that the ministry’s deliberate effort is to bring the youth into the epicenter of national life, by providing them with entrepreneurial skills through aggressive training programmes,” Mwinzi says.

Through her directorate of training, the ministry of Youth in partnership with TechnoServe launched an initiative in form of a competition dubbed ‘Chora Bizna.’ The competition acts as a strategy to assists young entrepreneurs to ‘Believe Begin Become’ (BBB). It aims to encourage the youth to develop and package their ideas creatively into a viable business proposal that can be financed through the Youth Enterprise Development Fund.

The competition is divided into three phases, with the initial one being entrepreneurship seminars. So far, the ministry has conducted seminars in 23 different locations around the country.

“Judges evaluated the business idea of the applicants and selected 300 applicants with great potential for sustainable growth,” Dr Mwinzi says.

The programme, targeting 10, 000 Kenyans aged 18 to 35 across the country, had its first launch at Nakuru’s Uhuru Garden.

“BBB workshops sets to offer incentives, practical training and business development support to help fledgling entrepreneurs convert their ideas into projects which can be implemented and funded,” says Wamuyu Mahinda, BBB Programme Manager at TechnoServe-Kenya.

TechnoServe, a United States headquartered non-government organization (NGO) was established in Kenya in 1973 with an aim to help start-ups to build businesses that create income and opportunity for the community. It is currently working in 15 countries across Africa and Latin America and assists over 11, 000 rural producers in the dairy, horticulture, legumes and cashew industries.

Who is eligible?

Any Kenyan youth between the ages of 18 and 35 with an entrepreneurial spirit and an idea to create or expand a business as well as those from disadvantaged communities including young women and rural individuals are potential candidates.

The Permanent Secretary in the ministry of State for Youth Affairs Major (Rtd.) Kinuthia Murugu says,

“The ‘fresh ministry’ is fully behind this national youth business plan competition. It will catalyze young people to create new business ideas, receive high quality business training, and help qualify them for support from the Youth Development Fund. Our youth can no longer wait for employment, for handouts, for their future to begin. They must seize this great opportunity to create their own future.”

Entrepreneurial skills

The ‘fresh ministry’ and TechnoServe is joined by a number of companies including Kenya Pipeline Company (KPC), Lenovo, Kenya Commercial Bank and Post Bank, among others, all of whom believe that chronic youth employment can and must be changed.

Available statistics indicate that on the overall, 23 per cent of Kenyans are unemployed without counting those no longer seeking formal employment. However, youth aged between 15 and 9 suffer the most, accounting for 33 per cent of all unemployed Kenyans even though they constitute only 23 per cent of the 15 to 64 year olds.

“Research indicates that current organizations cannot absorb the more than 240,000 primary school plus an additional 143,000 high school graduates who annually enter the labour force. So youths must create employment themselves,” explains the PS.
He adds that the BBB Business Plan Competitions would not have come at a better time since they have already proven effective in developing entrepreneurship skills and hundreds of new businesses elsewhere in the world.
The competition will also help SMEs to access capital via the Youth Development Fund and other local financial institutions.

University students take on entrepreneurship

AIESEC, the world’s largest student organization has launched the second phase of the African Young Entrepreneurs-YES programme.
Present in over 800 universities in over 90 countries and territories, AIESEC is the international platform for young people to discover and develop their potential so as to have a positive impact in society.
Terming it ‘Self actualization through the development of business potential among the youth,’ the programme is running effective this month to August and it involves young people from tertiary institutions within Nairobi.
In the programme, aspiring entrepreneurs as well as present ones are given entrepreneurship options for youth employment by developing the skills and competencies needed to start and run a business.
The YES programme is aimed at presenting entrepreneurship as a viable option for youth employment. This will be done by selecting 100 participants from the University Of Nairobi and 26 other universities and colleges within Nairobi.
The programme will culminate in a business plan writing competition where the four best business plans will be awarded with start-up capital. Graduates of the Yes programme will be well equipped to take advantage of the Youth Enterprise Fund and other avenues of funding which are opening up for young aspiring entrepreneurs.
Success, as the saying goes, is one per cent inspiration and 99 per cent perspiration. The youth therefore, according to Dr Mwinzi, have to work hard, take pride in what they do and do it to the highest possible standards as well as see themselves, as trailblazers not cast offs.”
“Youths in Kenya have an obligation that is noble and sacred-To bequeath the future generations a legacy earned out of collective responsibility and a shared dream of a better Kenya in the near or distant future,” Dr Mwinzi explains.
Kenya is facing an increasingly young labour force and limited job market growth that only absorbs less than 25 per cent of the 500 000 youths joining the labour market annually,” Dr Mwinzi says.
Citing an analogy from the United States and other developed countries, Mahinda observes that entrepreneurial capacity and behaviour are the prime drivers of economic growth and job creation.
“Entrepreneurship has been recognized as one of the secrets behind economic growth. Thus, entrepreneurial vitality is one of the factors explaining the superior performance of these world economic leaders in generating innovation and employment,” she says.
The fund is, and will not, be a universal remedy for the problems facing the youth, including the high levels of unemployment in the country. Rather it is an initiative that goes on to signal that the struggle to fight for youth economic empowerment has just begun.

The turbulence in Kenya’s courier business

By **Mwangi Maingi**
There was nothing the police could do for one Martin Musa when he reported the loss of a parcel containing his certificates, result slips and other personal effects.
According to a narration by his mother, who resides in Machakos, a young lady had offered to drop these documents to Musa. All that was required was for the old lady to part with some fee and sign some documents to enable the lady trace Musa at his college in Nairobi.
Due to the fact that Musa’s mother was illiterate, she could not understand the graphics on the envelopes and the pictures on the documents presented to her.
Unknown to her, she had been conned by a non-existent courier company, which had promised to deliver her precious cargo to Musa in Nairobi.
Musa’s ordeal is just one among the many incidences that Kenyans are exposed to when sending or receiving parcels from any part of the country as well as overseas.
Concerns are now being expressed on the need to have licensed operators in the courier business.
The Communication Commission of Kenya (CCK) now warns Kenyans to ensure that they source for courier services from licensed operators only.
“The use of licensed operators ensures that the conveyance and delivery of letters, packets, documents, packages, parcels and other postal articles guarantees customers of secure, quality and reliable services. Further, customers also benefit from consumer protection mechanism established by the Commission pursuant to the Kenya Communications Act, 1998,” says Jolly Sogomo, an official in the courier section at CCK.
The Kenya Communications Act, 1998, mandates the CCK to licence and regulate postal & courier services in Kenya.
This responsibility, according to CCK, involves the issuance of licences to all operators, regulation of tariffs for basic services, enforcement of regulations to ensure compliance with licence conditions, and creation of order in the postal & courier market.
The courier business has experienced rapid growth in recent years, leading to a cut in prices as more players enter the market, a positive development for clients, says Post Master General Fred Odhiambo.
The Annual Economic Report 2006 mentions that Kenya’s courier services market is currently estimated to be worth over Ksh 6.8 billion. This is projected to rise to Ksh 20.4 billion by 2010.

The Postal Corporation of Kenya (PCK), a public utility created in 1999, following liberalization of the telecommunications sector, is responsible for the Universal Service Obligation (USO), a global standard to supply basic postal services at affordable rates throughout the country.
It offers philatelic, courier, letter post, parcel, and Internet access services at its over 400 branches.
Available figures indicate that Kenya had more than 100 licensed private operators of postal and courier services by the end of last year.
The industry includes such international operators as DHL, TNT, FedEx, and Skynet Worldwide Express. The dominant domestic players are Securicor, Nation courier and Roy Parcels among others. Those operators with intra-city operations include Data Rush Services.
There are also transporters and freighters such as Transami, Jihan Freighters, Mechanized Cargo Services, Akamba, Kenya Bus Services, Kenya Railways and Coast Bus, all having national and regional networks. Others are G4S One World Courier, Nation Courier and Akamba Bus Courier Service, Wells Fargo,
The industry has in the recent past experienced an increase in competition as both local and international courier companies join the fray.
Majority of already existing players have been undertaking restructuring and reorganization in various areas of services delivery, to enable them face the competition.
For instance, Eliud Muriithi the General Manager Courier services, G4S Security Services (Kenya) says that the organization is in the process of offering a full range of postal services to its clients.
If the new plan succeeds, Muriithi says, all that its customers will have to do to post either local or international letters is to buy a corresponding value of new generation stamps from any of the company's 120 branches, affix them to the letters and post, as they would at any post office branch, to have it delivered to different destinations.
"We have had to make continued improvements, including enhancing customer service to ensure client loyalty," says Muriithi.
Currently, PCK is the only organization allowed by Kenyan law to offer postal services.
The Postal Communications Act of 1998 gives it the sole right to print and sell postage stamps, offer courier services, rental letterboxes and a host of financial services, including receiving of money from clients and paying postal orders and postal cheques.
The entry of the private players in the courier services market is an affront on PCK's core business. More so because the players have been able to grow and make big profits by capitalizing on the former's weakness in terms of services provision.
PCK used to earn a big chunk of its revenue from courier services before private players moved into that segment. Currently, PCK has a strong and widely spread network of nearly 900 outlets countrywide.
"Private courier companies control over 60 per cent of the market, a turf previously occupied by PCK," says Dr Bitange Ndemo, PS Ministry of Information and Communications.
He attributes the increase in the number of new players in the market to developments in the industry, including the availability of a wide range of delivery methods and systems, especially that of transporting cargo using motorbikes, vans, trucks and aircrafts.
"As a government, we acknowledge that there is competition, which can drive PCK into a tight corner of the business if urgent measures are not taken. Technology has improved and people are no longer content waiting for days to get their letters or parcels from the post box," said the PS. Ndemo says that the government is working on ways to revamp PCK, make it more competitive and push the corporation's share in the courier business by at least 30 per cent.
"We do not fear competition, but we know that the biggest threat we now face is technology," says Odhiambo. The introduction of e-based services, Odhiambo says, is a strategy aimed at meeting customers' needs and improving service delivery standards.
With rapid improvement in technology, conventional mail courier is giving way to electronic mail, requiring players in the postal services.
"ICT is affecting and complementing the business. It is posing great challenges and has forced us to come up with new ways of handling courier issues," Odhiambo admits.
Other challenges facing the courier business, according to Muriithi, is the issue of poor infrastructure, high fuel prices and cases of insecurity, which affects freight.
For those players operating around the Nairobi area, traffic jams especially in peak hours also hamper timely delivery or collection of parcels.

KPCU faces competition in Machakos

By **Wambua Kavila**
The Kenya Planters Co-operative Union (KPCU) is struggling to survive amid stiff competition from private millers as more coffee farmers opt for the latter due to better prices and prompt payments.
As a result, KPCU has launched an aggressive campaign to win back farmers confidence but the union has to streamline its operations to win the confidence of farmers who accuse it of failing to adjust accordingly in the liberalized coffee sector.
For instance, in Ukambani, the union has lost a large number of members, who are now selling their coffee to private millers.
"The so called 'second window' where brokers are buying coffee directly from the shamba is also a major setback for us," KPCU Director for Eastern region, Mr. Moses Muasya says.
At a recent coffee leaders meeting in Machakos town, union executives pleaded with co-operative societies to sell their coffee through the union as they stood to benefit in the long term as opposed to private millers, who arguably do not offer any assistance in production of their crop.

Accompanied by fellow directors, Muasya pleaded with the coffee officials to desist from selling their crop to private millers as the union is now streamlining its operations and the issue of delayed payments would soon be a thing of the past.
Coffee production has increased countrywide with Machakos district registering over 20 per cent increase over the past two years with farmers earning Ksh 250 million in 2005 and over Ksh 300 million last year.
KPCU laments that even after securing advances and loans for farmers to assist them in production, they went ahead to sell a large chunk of their crop to private millers.
"Some of these societies even sell coffee at night to brokers who then deliver them to the private millers," an official disclosed. It is now evident that KPCU is loosing out in the new liberalized environment, especially with new players entering the market.
In a bid to reclaim its market position, the union has been streamlining its structures to do away with red tape and increase efficiency in milling and payments.
KPCU Director Muiruri says the private millers are ruthless profiteers who are known to mill coffee then resell it to maximize profits. He adds that KPCU will in the future formulate and join the 'futures market' where payments are done in advance along with the pricing.
KPCU is also undertaking a value-addition strategy for coffee where they have started selling the finished product directly to supermarkets both locally and abroad.
This particular venture is expected to raise billions of shillings for the ailing union and directors are optimistic that it will shore up the union finances and turn around its fortunes.
However, the union will have to deal with teething problems including a bloated workforce and a huge wage bill if it intents to compete effectively with private millers.
The union has also witnessed alot of coffee theft in the past from their stores as pilferage is a common occurrence whereby several people have been sacked and even arraigned in court.

Are multinationals a threat to small business?

By Guchu Ndung'u
Countries bend backwards to accommodate multinationals (MNC's), socialists term them as agencies of capitalism while for others; they are a source of jobs and technology transfer.
As the country seeks to attract foreign investment including MNC's, what is their impact on Small and Medium enterprises? Do their huge procurement budgets trickle down to SME's?
Not according to members of the Protective Security Industry Association (PSIA), an association of mainly locally rooted security companies.
PSI has fought an ideological and standards battle with its rival, the Kenya Security Industry Association (KISA), which is seen as elitist and mainly consisting of large multinational security companies.
Benjamin Kitua the secretary of PSIA and the Managing Director of Maxicare Guards services for instance, says that Multinational companies tend to give security contracts to other multinationals, leaving most local SMEs out.
But that does not hold water for the British American Tobacco (BAT), one of the multinationals in the country.
According to Charles Nyiro the Corporate Social responsibility manager at the cigarette multinational, the SMEs have to improve their standards if they expect any business from the multinationals.
"SMEs have to rise up to the standards. BAT Kenya is part of a global company and the same standards applied elsewhere have to be met here as well. We do not discriminate between SME's and other companies as long as they meet those standards."
Indeed, 'standards' seem to be the thorny issue, with accusations that MNCs use it as a barrier to block Kenyan SME's from accessing a piece of their procurement pie.
For while MNC's shout from the rooftops that their international standards have to be met, SME's on the other hand, whisper that they have met the standards and the 'international' ones are just imposed to lock them out.
"There are no set standards of service and PSIA also has its own standards which are recognized even by the government," poses Benjamin Kitua the Secretary of PSIA and the Managing Director of Maxicare Guards services.
In addition to security, other services outsourced to fellow multinationals include accounting services, banking insurance and purchase of heavy machinery.
"Services like accounting are done by one firm to make sure that, when doing global consolidation the same standards are maintained. Also, due to global transactions, we need, for instance, a corporate bank with a global presence," explains John Musunga, the Managing Director of Glaxosmithkline.
The American headquartered British multinational uses PricewaterhouseCoopers and Citigroup bank for its auditing and banking services respectively.
Indeed, AIG insurance (parent company based in the USA), UAP Provincial (Parent company based in the EU although strong local investment), Pan Africa (parent company based in South Africa) dominate while in banking Citigroup, Standard Chartered and Barclays Bank hold the sway.
"The most which multinationals can give to local insurers is perhaps property risks-inclusive of fire, burglary motor etc which does not usually account for much. In life and investments – and some lines that cut across borders, they prefer insurers without territorial limits," say Godfrey Sang, an insurance consultant.
Since insurance is mainly placed through brokers, who places it determines where it goes and multi-national Insurance brokers tend to get most of the business from multinational companies and they in turn give it to multinational companies.
But the scion of industry and one of the first Kenyans to head a multinational, Dr. Joe Wanjui advises SME's not to view support from MNC's as their birthright.
"A multinational is here to do business and not just support SMEs. If their interests coincide, they will support them," says Wanjui.
But not all SMEs are crying foul, for just as some in the industries cry foul, others through difficulties, have managed to crack the multinational procurement nut and meet the standards.

One of them is Clique Limited, a household manufacturing company, which supplies branded items to MNCs hotels like the Hilton and Holiday Inn.

But trust is something Sudhir Shah had to earn and pay through the nose. When he took over Clique, the company was in the red and turning it around required not only massive investment but also to bring back customers.

MNC's would bring back the two and he set out to woo them by pitching for business and also leaving some of the products with them for hire.

"I was given trial orders. I had to work sometimes for a whole night to meet the orders. It was tough but once I had shown I could deliver, I was home and dry," recalls Shah, a naturalized Kenyan.

Clique has turned around from seven employees in 1995 to over 20 employees and monthly turnovers exceed annual sales the company was doing then. This, he owes to business with multinationals.

If getting goods procured as a Kenyan SME is hard, being young in age and business makes it even harder.

When Harrison Karanja made the first copy of Kenyan laws in soft copy, his first stop was at Barclays bank of Kenya. He got the contract after and moved on to the East African Breweries and a host of other multinationals.

But for a young company, doing busin-ess with MNC's had its lows.

"The smaller you are, the longer the payments take. This is crippling if you do not have sufficient capital."

Also, in the world of MNC's he says, image is everything. "Sometimes, you have to fake till you make it. MNCs do not want to give you money if you do not appear to have some. Thus apart from capital, image matters," tips Karanja.

Not to be left behind in their allegiance to SMEs, multinational banks, once seen as a reserve of the corporations and the well heeled, is now targeting SME's.

A crosscheck at three banks namely Barclays, Standard Chartered and Stanbic shows that all have developed products for SME's.

But do they trade with the same SME's they are targeting?

"Almost half of our procurement budget goes to SME's. The idea that multinationals do not support them is a matter of perception," Robert Wright, the Standard Chartered regional head of consumer banking, Africa says.

Musunga of GSK also cites the issue of consistency and delivery as the major challenges of doing business with SME's.

"Some guys can come and do a presentation to you but when you go back to do an audit, what was presented is not what you see. Also, some enterprises start with good quality products but three or four months down the line, the quality deteriorates."

Nevertheless, the MD offers that of the Ksh 1.5 billion the company spends on procurement in Kenya, half of it goes to SME's.

"We have short listed suppliers whom we ask quotations from when we need to procure. However, any enterprise is free to come and pitch for their products with the relevant departments," offers Musunga.

Mwaura Ngaari, the external affairs manager at Kenya Shell also says that apart from the company's procurement being 'almost 100 percent driven by SME's,' it assists enterprises access the Aspire fund and thus assists them to comply with their standards.

The Shell foundation, through the Aspire fund offers financial assistance to enterprises to assist them.

"Our transporters mostly do not have good safety managements and through Grofins, enterprises are given loans to comply," says Ngaari.

The Aspire fund is a US 24 million joint initiative between the South African based Grofin enterprise and the Shell foundation.

Love them or hate them, SME's have realized one thing. MNC's have what they need; a purchasing power.

Efforts to get comments from other multinationals like Barclays and East African Breweries were fruitless as they had not retuned our queries by the time we went to press.

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