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From carpenter to chicken billionaire

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Carpenter turned chicken billionaire

By Mwangi Maingi and Samwel Kumba

Egged on by pride, his simple act of resignation as a carpentry teacher led one Nelson Muguku to explore what has turned to be a billion shilling venture. It all started as a hobby, keeping a few chicken in his teacher's quarters, while pondering what to do next. He survived by selling a few eggs from the chicken.

Today, the man owns and runs Muguku Poultry Farm in Kikuyu, Kiambu, estimated to be worth more than Ksh 3 billion. It is one of the largest hatcheries in the country with a capacity to hatch some 200,000 chicks per day. Besides, Muguku is the largest individual shareholder in Equity Bank.

Currently he is holding 7,515,085 shares accounting 8.3 per cent of the bank's stake. From Equity Bank's paid up capital, Ksh 1.358 billion, Muguku's share is worth Ksh 112.714 million. And if he were to sell all his shares today, Muguku would pocket about Ksh 3 billion.

The only other largest shareholder in the bank is British Investment Company (Britak) Limited, which is an institution, and owns 13,360,563 accounting for 14.75 per cent stake in the bank. This places Muguku second in shareholding.

Equity Building Society began business as a mortgage financing organization in Nairobi in 1984. The bank's shares were listed on the Nairobi Stock Exchange (NSE) on August 7, last year.

But what the world will be keen to know is how much worth, really, is Muguku. When *The Financial Post (FP)* posed the question to him, Muguku, who leads a modest lifestyle, gave a modest answer.

"I am worth nothing. I am only a small farmer earning a living from poultry. But what I can tell you is that this type of business takes talent."

It was evident that he did like to be pigeonholed as one of the richest people around. Indeed due to their simple lifestyle, Muguku can easily be mistaken for someone else's driver in his own Mercedes Benz. Yet he himself is chauffeur driven.

"Very few people can be in the shamba most of the time ensuring that all is going on well," Muguku told FP last week upon inquiry about his worth. In addition to the poultry farm, Muguku also owns one of the largest hardware shops in the in Kikuyu division, Kiambu. He also boasts of a herd of more than 40 dairy cows and a flock of sheep.

Asked about dairy farming, he said: "These only give us some milk, but their main purpose is to trim the grass around the compound and destroy breeding grounds for mice and insects that would harm the poultry."

Unlike the numerous technocrazy investors and CEOs who are minting money from the money market and plum jobs, Muguku made his wealth the old-fashioned way: He is recording huge earnings from Muguku Poultry farm, an enterprise he started way back in 1967.

For over 40 years, this septuagenarian father of six has remained the leading supplier of chicks in the country. Initially Muguku was banking with Barclays Bank, but when Equity started he felt the urge to support one of his own.

He explains: "I thought to himself, here is a Kenyan owned, Kenyan bred enterprise offering similar services like I am getting from a multinational. Although it was a risk venture, I opted to take the risk."

Muguku, who was born in 1932, began his life as a carpentry teacher. After his 4-year training in Thika Technical School as a carpenter in 1953, Muguku was selected as one of the best pupils and posted to teach at Kapenguria. He stepped in for a teacher who was on leave.

Four months later, that teacher resumed and Muguku was posted to Kabianga Teacher's College-currently Kabianga High School-in Kericho. But he was unhappy with his title-untrained teacher.

Having emerged the best pupil and with his teaching experience in carpentry, Muguku was convinced that was an inappropriate title for him. Furthermore, in 1957, when he stumbled on his younger brother, Muhia Njoroge's pay slip, Muguku could not believe that Muhia, who did two years carpentry training and proceeded for teaching profession was earning more than him.

Muhia's salary was Ksh 350 while Muguku was earning Ksh 280. Muguku unsuccessfully applied for a promotion before throwing in the towel.

“When I told the principal I was resigning, he thought I was crazy for my job was stable. But I was determined,” Muguku explains. He quit all the same and armed with only a bicycle and scanty furniture, the ambitious young bachelor left Kabianga by train for his Rukubi home in Kikuyu.
His parents too’ thought some bolts in his head had gotten loose. They were almost convinced that somebody was misleading him.
During his teaching period, his hobby was evident. Muguku had two chickens and a cock that he reared at a corner of his house. The school’s principal requested Muguku if he could bring some eggs for his hens to sit on. This was on condition that when they hatched they would share the chicks.
Muguku agreed, after all, it was his boss, and the principal brought in 13 eggs. Fortunately, all the eggs hatched and after the chicks matured, the principal took his share, but selected all the hens leaving Muguku with cocks only, which he considered a raw deal.
But as fate would have it, a month later, the principal was transferred, leaving behind six hens and a Cock. His successor asked Muguku to buy and take control of the strolling hens, left by the former principal. His conditions were that Muguku would pay by giving him eggs in return.
They agreed for Muguku to buy each chicken at Ksh 15. He was to supply eggs at a rate of 25 cents each to pay the debt since he did not have cash to pay.
Luckily, Muguku paid for the chicken in a record two months though he had thought it would take a year. Impressed by the rate of return, he had made up his mind to go into the poultry business.
On telling his father, Njoroge told him of how he bought 200 chickens for rearing only for all of them to die in an epidemic. “Do you think yours will survive?” posed his dad. Without hesitation, Muguku responded with a convincing yes.

Turning point
In 1965, from his life’s savings of Ksh 2500, Muguku went full throttle into the Poultry business in Sigona, Kiambu. This capital was insufficient for he had to buy the chickens with which he started. He also used the same amount of money to build a chicken coop and feeding them for the first few days.
“It is not an easy venture,” reveals Muguku, who was then supplying eggs to Nairobi. He supplied eggs for ten years then ventured into hatching chicks to supply other poultry farms.
As his business grew, Muguku acquired a 22-acre farm at Limuru for Ksh 100,000 from a European veterinary doctor, a Mr. Whinier and then started a hatchery with a 9,000-egg incubator. Currently Chicken farming, occupies about three-quarters of the entire place.
“The doctor assisted me to applying for a loan at Agricultural Finance Corporation (AFC) to meet the cost. It had good infrastructure including telephone connections, electricity, bore holes and poultry housing structures,” says Muguku.

Market
By 1972, demand for chicks had increased forcing Muguku to buy a new hatchery with a capacity of 42, 000 eggs a week. The new incubator, first of its kind in Kenya and Africa, was officially launched by the then Assistant Minister for agriculture, Maina Wanjigi.
Further growth in demand forced him to set up a branch in Ngong near Nairobi. One of his sons runs this outfit.
Muguku says he found egg-hatching more profitable than egg-trading. However, the cost of input in the former is high. For instance, it requires one to have a stand-by generator and the chicks need tender care. Layers, on the other hand, do not require much attention.
“But due to the unpredictability of the poultry market, there is no way one can focus on one area of business,” explains Muguku.

Competition
Having been the first African in commercial poultry farming in Kenya, Muguku says he has dominated the market over the years, though new players have come in especially due to the increasing demand for poultry products locally and internationally.
Muguku believes competition is healthy. He argues that work accomplishes great achievements. Though he has experienced lots of challenges in life both as a teacher, trainer and a farmer, Muguku considers it better for one to try and fail than fail to try.
“Poultry keeping is a well paying venture. On the other hand, it requires a lot of experience and knowledge on facilities, caretaking and expansion initiative,” he says, adding, “I have come from far. The road has not been easy. Nothing comes easy in life. I am what I am because of hard work and God’s blessing.”
Muguku and his wife, Leah Njeri, had earlier spent most of their time on their 27-acre farm at Sigona, with Muguku overseeing the farm operations while his wife attended to customers, ‘who come from as far as Tanzania, Rwanda, Burundi and Congo’.
The couple, both former teachers, do not regret having quit their profession. “We would never have been what we are today if we had remained as teachers,” says Muguku and his wife adding, “Not one moment.”

Name's origin
Poultry in Gikuyu is called nguku, and many think the name Muguku may have something to do with chicken. But the entrepreneur says, "My name has nothing to do with poultry."
His paternal grandfather, Kamenwa wa Rwathia, had a special horn from which he drank the traditional brew muratina. The horn had a natural depression (muguku) at the brim. His comrades-in-muratina nicknamed him Muguku.
Rwathia first son, Stephen Njoroge, named his first son Muguku. It stuck up to date.

Power loss burden

By Guchu Ndung'u
Kenyan electricity consumers are forking out some Ksh 4,021 every year to finance electricity lost in Kenya Power and Lighting Company's transmission lines.
This translates to Ksh 335 per month, forked out by Kenyan domestic consumers in the middle and upper income groups. Commercial and Manufacturing concerns are also affected.
According to the company's 2006 financial results, the power utility's system loses 18.7 per cent of the power it purchases from KenGen. And the figure is expected change little, if any, this financial year.
Cumulatively, Kenyans pay a hefty Ksh 4.6 billion a year to fund this loss. Part of this, a whopping Ksh 3.7 billion, is factored into the bills of the estimated 0.9 million consumers directly. The other part is paid through taxes.
Let us explain, the other part of the loss, which is Ksh 900 million is borne by shareholders, and the Kenya government owns 48 per cent stake. So Kenyan tax payers, who only consume electricity and are not KPLC shareholders pay a whopping Ksh 4.1 billion a year to fund KPLC's losses.
Last year, KPLC lost some 1,067 GWh of power in what they refer to as system losses. At the same time 8,207 new customers in the rural electrification programme, consumed 205 GWh of electricity.
This means that the system losses could supply a total of 41,000 new customers.

System losses
System losses comprise of both technical and non technical losses that the company incurs during its various stages of transmission.
The technical losses occur when power is transported over the wires from one point to another and some of it dissipates from the wires as heat. This is due to the resistance of material used to conduct.
The non-technical loss, also known as the commercial loss is from the distribution system as a result of deliberate diversion and consumption of power from the network by people without paying for it.
This is through meter tampering, meter by-passing and direct tapping from the network, the so called "electricity theft." Thieves cost the company an estimated Kshs 1 billion a year.
This financial year does not look particularly bright as far as the system losses are concerned.
The Central Bureau of Statistics' monthly indicators for the month of May says that power losses increased from 436.7 GWh in the period January to May 2006 to 437.6 GWh over the same period in 2007.
In real terms the systems losses rose by 900GwH. However, in relative terms the loss fell from 18.4 percent to 17.1 percent as power generation rose from 2,365.9 GWh to 2552.5 GWh over the same period.

International standards
KPLC justifies the loss saying that the 'internationally allowed percentage loss' is 15 per cent. This is the maximum allowable and many countries strive to maintain lower losses.
James Wakaba, of Energy for Sustainable Development Africa (ESDA), says the acceptable average power loss should be between 12 and 13 per cent.
Uganda's system loss for instance is a staggering 32 per cent, Egypt's at 16 to 18 per cent while Tunisia has an average loss of 12 per cent.
"Though we are better off compared to other countries, we should compare ourselves with the best," says Wakaba.
A glance at KPLC's statistics shows that; the more power is produced the more is lost.
Energy purchased from various power producers rose from 5,347 GWh to 5,697 GWh which also signaled a rise in system losses from 18.1 per cent to 18.7 per cent in 2005 and 2006 financial year respectively.

Why the loss
Analysts blame the 'hub and spokes' distribution model. This is where power is generated at one point and then distributed to various parts of the country through high voltage transmission lines.

For instance the seven hydro dams which account for 51.3 per cent of the total electricity generated are along the Tana River. Power generated from these stations is then distributed throughout the country. This means larger system losses as the power travels long distances.
By the time power from Kindaruma dam reaches Western Kenya, a lot of it is lost on the way.
The rural electrification programme also contributes to system losses as power has to be moved to far flung places, increasing the incidence of power loss.
Some 110,724 customers are connected under the programme, an 8.8 per cent increase over the 101,793 customers posted in 2005.

Solution
KPLC though publicly downplaying the losses as an 'international phenomenon' is investing heavily to reverse the trend of losses.
With Funding from the World Bank, the company has commenced implementation of a Ksh 10 billion distribution upgrade and reinforcement project.
The project includes changing conductors on existing lines with thicker ones that carry more power on the entire network. New distribution lines will be built where necessary.
To stem commercial losses, KPLC has also embarked on a whirlwind of arrests and disconnection of illegal connections, some of which sparked riots in Mathare slums last week.
Also, as part of the company's management contract with Manitoba Hydro International (MHI), which brought in the management currently headed by the CEO and General Manager Don Priestman, MHI was supposed to address the issue of power losses.
The contract, which took effect on 1st July, 2006, mandates MHI to reduce system losses by four per cent, reduce electricity supply outages from 11,000 to 3,000 per month and connect 120,000 new consumers per year.
Wakaba calls for a gradual change in electricity and distribution mode and channel. "We need a model that relies on a distributed generation. This is better since it reduces losses, stabilizes the voltage, utilizes resources all over the country, especially renewable energy, and brings development to more communities in the countryside," adds the consultant.
The distributed generation model advocates for generation of power at a point near its consumption so as to minimize the losses occurring during its transportation.
Power for consumers in Central province, for instance can be generated in or near its consumers in the province.
KPLC, which only distributes electricity, will have to rely on KenGen to come up with such generation points that are near its consumers.
However, KPLC can bet on the emerging regional power producers like Mumias Sugar to supply the western market.
Kenya Power is said to be negotiating with some companies to shift to night operations as demand for power outstrips supply. Whether the huge losses are the cause of this move or whether it is because of increased demand per se is not clear. The system losses are not expected to leave a dent on its cash books which have been recording increments for the last few years. During the 2005/6 financial year, the company recorded a pre-tax profit of 2.4 billion compared to Ksh 1.9 billion the previous year.
The company's new connections are also growing at an average of 7 per cent per annum and currently has more than 920, 000 consumers.
"A reduction in the loss will go directly to the bottom-line of the company, thus increasing its profits," notes Wakaba.
If the losses continue, the consumer will continue bearing the brunt. But one question still lingers; for how long?

GMOs debate camouflages the real issue

By **Mwangi Maingi**
The debate on the pros and cons of genetically modified food crops camouflage the real issues, we can report. Among these are questions such as: Who losses from the success of GMOs? Who gains? Another significant issue is who funds the anti-GMO lobby? Finally, why is it that Genetically Modified Livestock Vaccines- which are already in use, have not generated as much heat as Modified crops?
Genetic Engineering involves the transfer of a desirable gene into a crop or other organism. The idea is to modify the genetic make up of a given organism in order to improve its quality.
For instance, the Bt gene was introduced in both Maize and Cotton to immunize them against Maize stalk Borer and Cotton Bud borer. The result is higher maize and Cotton yields protect the environment from

contamination by chemicals, cut the cost of farming and pull farmers out of poverty, our investigations have shown.

Bt, short for *Bacillus Thuringiensis* is a soil bacterium that carries a toxic gene. This gene has been used by the herbicide industry for more than 100 years to produce a pesticide used to protect maize, cotton and other crops against pests for all these years. Agricultural biotechnologists isolated this gene and transferred it to the seeds of maize, soybeans and cotton.

This leads to the question; then why the fuss? Our investigations point to fears of death by the herbicide industry should Bt maize and Cotton be adopted at a large scale. This is because the introduction of Bt into maize and Cotton eliminates the need for the pesticide.

There is no clear pointer to the herbicide industry being the financier of the anti-GMO lobby. However, circumstantial evidence points to it as the first suspect. Consider this; the Chief anti-GMO lobby, Greenpeace movement has a US$100 million (Kshs 7 billion) a year budget. Though very loud at naming Financiers of GMO research, it is very vague about its sources of funding.

Second, Kenya has so far developed and commercialized 18 livestock vaccines and diagnostic kits. Among these is a genetically modified vaccine against lethal cattle diseases as Rinderpest and Rift valley Fever, says KARI, the country's premier Research institution..

In total, three DNA Recombinant vaccines for livestock: two against Rinderpest and one against Rift Valley Fever and a Multivalent vaccine against Nairobi Sheep disease have been developed and released into the market.

Yet, says analysts and scientists, not a finger was raised against the developments in the livestock sector. These products are exported within Africa and the Middle East with not a whimper. Many Scientists offer that since no alternative vaccine had been developed, there were no complaints.

Biotechnologists say that the issues raising the loudest protests are not scientific and thus they do not know how to respond to them effectively. According to a report of experts appointed by the International Cotton advisory Committee, ICAC, the issues raised are ethical and cannot be handled scientifically.

Among the issues raised is the right of man to tamper with the genetic make-up of other organisms, the right of companies to patent certain genes or various forms of life, or the potential dominance of multi national companies over small economies, says the ICAC report published in 2003.

Other issues raised by the anti-GM lobby led by Green Peace Movement and the World Watch institute are mainly scientific hypotheses that are yet to be tested. They are therefore mere suppositions whose probability of happening cannot be verified scientifically.

Among these are: the possibility of a transgenic transfer to non-target crops or organisms, the potential for being allergenic, environmental degradation.

On the Pro-side the chief executive officer Africa Harvest Dr Florence Wambugu, says that biotechnology holds tremendous promise for the developing world. The use of high yielding, disease and pest resistant crops will have a direct bearing on improved food security, poverty alleviation and environmental conservation in Africa.

Maize is a staple food in Kenya and large parts of Africa. The maize stalk borer destroys 400,000 tonnes of Kenya's annual output of 3.2 million tonnes of Maize. In Sub-Saharan Africa, chronic cases of stem borer infestation account for 10-70 per cent of yield losses leading to food deficits and starvation.

Since stock borer was discovered in Malawi in 1932, a raft of methods, pointedly, biological control, habitat management and use of natural pesticides, have been used to deal with the stem borer menace, but little has been achieved. This calls for development of seeds that a resistant to Maize stalk borer.

However, there has been global fear mongering about recombinant DNA technology and bioengineered crops. Critics of the recombinant DNA in crops have claimed that the latest technology was unnatural, different from its predecessors, and inherently dangerous.

However, the study by ICAC established that farmers have derived significant, economic, and social and health benefits from growing GM crops. The study also found that "Biotech products are the most vigorously tested of all products in the world," says a report by an expert Panel on biotech cotton. It also found that there are no known cases of ill-health, immediate or delayed among farmers growing transgenic crops.

Dr. Wambugu who is researching on the possible introduction of Vitamin C on Sorghum, says that all is natural from the word go. "All plant and animal breeding involves, and always has involved the intentional genetic modification of organisms."

Dr. Wambugu holds that GMO has been a victim of democracy. Every one has a chance to comment on virtually anything. However, she cautions, "there is a danger of crowding out the truth as different interest groups articulate their viewpoints." She complains that: "People with no legal or scientific backgrounds have made the debate on GM crops muddled. Some with more shrewdness in getting media coverage even when they are wrong, or have a hidden agenda; they often appear to have the dominant and correct position."

Many tend to cloud over the benefits that could be enjoyed by farmers. Pro-biotech farming tells of benefits including high yielding varieties, lower cost of production especially on herbicides, cleaner environment and of course healthy nation.

A researcher at Kenya Agriculture Research Institute (KARI) says that the issues that have been raised on the biotechnologically treated crops have been speculative, complex, and confusing.
Biotech products have been tested for their effects on non-target insects, human health, and the environment in their country of origin. No ill effects have been found, but a notion persists among countries and the public reluctant to adopt biotech products that the new technology carries potential threats to the environment and non-target insects.

Telkom's wireless stirs the market

By Jackson Okoth

The entry of Telkom wireless has shifted competition from price to technology employed.

While the cellular phone companies operate on Platform GSM network, which is relatively inefficient, especially at peak calling times, Telkom wireless runs the more superior CDMA technology.

Running on a prime 800 MHz frequency, CDMA enables it to handle both voice and data. The technology used by Telkom wireless assigns a code to every call being made thus eliminating congestion and breaking calls, a common problem with GSM mobile networks.

In addition, users of the Telkom wireless are able to use both voice and data simultaneously meaning that one is able to make voice calls as well as access the internet.

This technology, coupled with Telkom Kenya's large infrastructure network and ability to roll out rapidly across the country has jolted other players in the telecoms industry.

Some have responded by rolling out a similar network. Already, Safaricom the largest mobile phone company in the country is setting a 3G network.

" We are already piloting a 3G network, which will deliver upload and download speeds of upto 3.6MB per second on mobile phone devices," said Safaricom CEO Michael Joseph during the release the company's financial results for the year ended 31st March 2007.

Safaricom has already completed piloting a new 3G network and has set aside US$15 million (Ksh 990 million) for deployment of a whole new network.

Celtel is also upgrading its network and has hired the services of Alcatel-Lucent to deploy the latest versions of the GSM platform and is spending an equal amount of cash as its competitor.

However, there are some whose survival is at stake for the Telkom competes directly with them. These are mainly the loop operators such as Popote and Flashcom.

The issue between the loop operators and Telkom wireless has been that of the high interconnection charges charged by the state-owned company.

It is estimated that over 60 per cent of all voice calls revenues generated by loop operators is surrendered to Telkom Kenya. "These rates are still too high although they are workable," says Edwin Muthi, a director of Popote wireless.

The monopoly enjoyed by Telkom Kenya in the landline business implies that players like Popote wireless cannot get services from an alternative player to pass on to its clients.

Key players in the market complain that delays in licensing a second national operator to offer alternative fixed line and wireless services is holding back growth in the wireless market. This includes keeping prices high and service quality poor.

While Telkom wireless appears to have an unfair advantage over others, its penetration is still limited by the fact that those intending to use these phones for data services need to invest in computers.

Incidentally, most mobile phone subscribers use their phones for voice only services and perhaps this is why mobile phone companies are not entirely wary of Telkom wireless.

The response to competition in the data services market by Telkom's wireless has been countered by the Blackberry smart phones, offered by both Celtel and Safaricom.

Equally, Telkom Kenya is also upgrading the CDMA 2000 platform to give it more capacity to offer such multi-media services as video telephony, video upload and download from the internet, video gaming and even video-teleconferencing.

At the centre of this technology wars between state-owned Telkom Kenya and the cellular phone and loop operators is the subscriber who is expected to have faster speeds offered by mobile internet.

On the data front, Telkom's CDMA2000 platform is reputed for its fast data rates compared to other technologies.

While a user on GSM with a data rate of 9.6 kilobytes per second takes an estimated 41 minutes to download a 3 minute MP3 song, the CDMA offers more superior speeds, with a data rate of 153.6 kilobytes per second and has a download time of 2.9 minutes on the same MP3 song.

The wireless market is currently dominated by Telkom Kenya in a niche market also operated by Popote wireless and Flashcom, the two dominant landline wireless operators in the market.

It costs between Ksh 6000 and Ksh 12,000 to acquire a CDMA configured hand-held device from a loop operator. Subscribers on the wireless landlines can also obtain mobile data devices costing an estimated Ksh 5400. A wireless desktop phone that can handle both data and voice retails at Ksh 14,500.
A Huawei ETS 2000 desktop wireless from Popote has voice calls with 8 kbps and circuit data service of up to 9.6/14.4kbps.
Its internet connection speed is up to 153kbps, among other advanced features offered by a CDMA network.
The entry of Telkom wireless is expected to lower the cost of those devices offered by the loop operators given that its voice only wireless device retails at an estimated Ksh 1,600 depending on the model.
Telkom Kenya offers competitive prices of between Ksh 5,000-Ksh 10,000 for the wireless desktop phone, depending on the features, while a voice-only wireless gadget costs between Ksh 1,800 to Ksh 40,000.
Available figures indicate that Telkom wireless has already gathered some 150,000 subscribers on its network.

Look out when buying used computers

By **Mwangi Maingi**
It is a familiar pitch for car buyers: trade in that old clunker for something shiny and new. But now computer traders are hawking the idea, offering buyers trade-in allowances if they purchase a new or a refurbished machine. Classified pages of newspapers are drenched with advertisements for second-hand computers. The old saying that value is in the eye of the beholder is so true for computers. The purchase of a used computer can be a positive investment and a good buy.
If a used computer is in sound condition and was not abused by its initial owner, chances are decent that a purchaser of previously owned equipment will be able to use the unit in good operating order for an extended period of time.
Of course, we have all heard the ages old phrase “buyer beware.” And, naturally, the idea of “buyers beware” generally applies to the purchase of a used computer. Using common sense in considering whether to purchase a used computer will go far in ensuring against buying a chunk of junk.
Enthusiastic and unsuspecting customers walk into computer shops eager to buy top of the range computers but leave for home with computers that look new, but in actual fact they are refurbished, just the same way that one can buy an imported reconditioned vehicle disguised for a new one.
The difference is that in the case of computers, some dealers take advantage of ignorance of their customers and sell the refurbished computers at the price of new ones.
A refurbished computer is one that is sent back to the manufacturer for a variety of reasons, refitted with different parts as necessary, and then tested and approved for resale by the manufacturer. Yes, it can mean a computer that was returned because it did not work properly, and was redone to factory specifications.
Refurbished computers typically carry the same warranty as provided with a new computer, and when placed side by side; you cannot differentiate a refurbished computer from a new computer. Reasons for return of those computers back to the stores range from a system with a cosmetic blemish like a small ding on the monitor that automatically means it cannot be sold in stores, or a system that was returned simply because it was not the correct model the consumer wanted, but the consumer had opened the box.
Therefore, a refurbished machine does not mean that you are buying a computer with a defect or something else wrong with it, and there are situations that one may be encouraged to buy one.
Most are still upgradeable, in case you want to add more memory, a larger hard drive, or a faster modem. Of course, the most obvious reason to consider a refurbished computer is money. They are always quite a bit cheaper than brand new models, and so you can get the same processing power and specifications on a refurbished computer, while saving yourself thousands of shillings.
Certainly buying them is not without risk. You could easily pick up one that never worked right, and never will. But reputable retailers would rather have your repeat business than sell you a dud. Start by finding out why the owner wants to dispose it off or why it has been returned to the stores.
One has to be keen and see whether the screws have been tampered with to differentiate a new computer from a reconditioned one. In addition, it is important to be accompanied by an experienced computer specialist when buying computers so that meticulous testing is done before committing money to the machine.
Businesses may be willing to donate their old computers when they replace them with new technology. Such donations will usually be “as is”, with no guarantee as to the condition of the computers. This is not always a draw, as there are cases of virtually unusable computers being donated to unsuspecting parties, especially schools.
Even if you receive working computers, they may prove to be more troublesome than they are worth — for example, they may have insufficient hard disk space to install the applications you need to run, or the

hardware may become faulty shortly after you receive them. So for this option, make sure you get a clear inventory of what's on offer with the original dates of purchase.
Older computers may not be able to do everything you need them to. For example, newer applications, especially those using high-resolution graphics, will not run on old hardware. Possible hidden costs of donated computers include transportation costs and import duties, essential hardware upgrades, and the installation of an operating system. Hardware costs represent only part of the cost of using computers in your organisation.
The "total cost of ownership" includes maintenance, training, software, Internet connectivity, management and facilities. Some older computers cannot be upgraded. Some old motherboards cannot be interfaced with modern hardware adapters. Where upgrades are possible, the cost should be taken into account. Unlike new computers, there is generally no free support for refurbished computers.
Before you acquire a used computer, scrutinize the computer before buying to ensure that you match your money to the right machine

'The cotton industry needs protection'

Alego Usonga constituency is located in a cotton growing area of Nyanza province. The area MP Sammy Weya spoke to our reporter on developments in this region and the future of the cotton industry among a myriad of issues. Below are excerpts.

Q. As the MP for Alego Usonga, what are some of the achievements that you have made for your constituents?

A. The level of poverty in my constituency has gone down from 87 per cent to 64 per cent at present. This level of achievement has been achieved through the hard work of the constituents. A large contribution to the poverty reduction efforts has been made by Dominion Farm, a private investor, who has sunk in some Ksh 2.5 billion in the constituency. We are still appealing for more investors to step in and make more investments in the constituency. Alego Usonga now has electricity which has encouraged local entrepreneurs to start manufacturing industries.
We have also constructed 10 new secondary schools in the constituency and 5 well-equipped health centres to provide better treatment to the community.
We have also revived the growing of cotton in the constituency, which is a major cash crop in the area, improved the infrastructure and built a constituency office to handle matters affecting people in the constituency.
The constituency has also a medical training centre and the revamped Siaya polytechnic to provide services to the residents of the constituency.
At the moment, we are negotiating with the government to reopen the Agricultural Finance Corporation (AFC) which was closed down when the cotton industry collapsed.

Q.What is the way forward for the cotton industry in the country?

A. We are asking the government to allow Agricultural Finance Corporation to render the credit services to the farmer. Through AFC, cotton farmers will be able to obtain farm inputs like fertilizer, quality seeds, pesticides and extension services.
The government also needs to upgrade the cotton ginneries in the country, some of which have not been improved on since independence. We now have new technology coming up which the ginneries need to embrace. Cotton farmers also need technical advice on how to improve cotton growing. Already, the Cotton Board has been appointed and will begin work in September. It is expected to address the main issues as well as new developments in the cotton sector.
We should also consider forging links with countries like Egypt and India which use certified quality seed to get the best produce for the export market.
Although we are using certified seeds, the sector should also think about introducing genetically modified cotton, which has high returns. As much as we criticize GMO, the country is already growing genetically modified trees and bananas, creating huge job opportunities in the country. We therefore need not fear GMO.
Those investing in the cotton industry also need incentives such as proper infrastructure, improved technology and tax exemptions amongst others to attract investors.

Q. What are some of your contributions towards passing of crucial bills in the 9th parliament?

A. I have been involved with the ICT bill, which is to allow the introduction of ICT technology in the rural areas. I have also participated in the Energy bill which was passed and has not been gazetted.

Q. What impact has importation of second hand clothes had on the ginneries and the cotton industry?
A. We need to have this importation stopped to protect our own cotton industry. We also need to encourage the growing of cotton and manufacture of clothes locally. The government recently banned the importation of second hand underwear. This ban should be extended to include all kinds of clothes, because all imported garments pose a health risk.

Q. Are you seeking another term? What are some of your plans?
A. Absolutely. I have no doubt that I will be re-elected back to parliament for a second term. I have plans to introduce ICT technology in the constituency, computerize schools and open up cyber cafés in the constituency for the people to be enlightened. I also intend to introduce e-learning in schools as this is the future.

Q. What are some of the project you have initiated in the constituency using the CDF?
A. We have carried out a study to establish the key priorities in the constituency which is education, water, health, roads and food security.
So far, we have constructed a number of new classes and schools in the constituency. We have also drilled boreholes for those practicing irrigation farming. We have also acquired a grader to be used to improve roads in the constituency. We have set up a committee to deal with CDF matters in the constituency and I only provide leadership and direction on what should be done. Most of the projects undertaken using CDF funds are people-driven.

Q.What is the potential and future of Alego Usonga constituency?
This area has a huge potential. With an abundant of water in the region, we were able to produce 90,000 bags of maize last year. We are planning to increase the growing of rice, groundnuts, Soya beans, tobacco, sunflower as well as the fishing industry.

Kenya's sugar industry at crossroads

By Mwangi Maingi
and Jackson Okoth
The clock is ticking and time running out for Kenya's sugar industry. It is slow to increase output to satisfy local demand as well as compete effectively with imports.
The Economic Survey 2007 indicates that although sugarcane production increased last year, the production of sugar declined from 488.1 thousand tonnes in 2005 to 475.7 thousand tonnes last year.
On the same plane, sugar consumption has been rising, from 652.1 tonnes in 2002 to 718.4 tonnes last year.
What this means is that while sugarcane production has been increasing rapidly, sugar mills do not have the capacity to process this cane, leading to deficits in domestic sugar requirements.
The area under cane has been increasing from 126,826 ha in 2002 to 147,730 ha last year while sugarcane production has also risen from 4.5 tonnes in 2002 to 4.9 tonnes last year.
But while production of cane and consumption levels are on the rise, local sugar factories are dogged by a myriad of problems ranging from low utilization of capacity, old and dilapidated plant and machinery as well as poor management of the plants.
Most cane factories have had to deal with problems of unfavourable weather patterns, improper timing of cane harvesting and the huge debts owed to the government.
Although a lot has been done to reform the sugar industry, it still remains one of the most heavily indebted sectors.
While Mumias Sugar factory, the largest sugar mill in the country, can be considered a success story, the state of other plants is deplorable.
For instance, while Muhoroni Sugar Company (under receivership) continues to record tremendous recovery, its managerial and governance problems are far from being resolved yet.
Already, the treasury is pumping money towards rehabilitation of most sugar factories; the effort is yet to show.
Out of the Ksh 1.6 billion collected through the Sugar Development Fund (SDF) in the 2006 financial year, a huge chunk was disbursed to individual mills for plant rehabilitation, infrastructure development, research and cane development.
These disbursements, which were in the form of loans, were given to Mumias, Sony and Nzoia sugar factories. Other monies from SDF were used to clear arrears to farmers for cane deliveries to the tune of Ksh 1.1 billion.

Already, the red flag is up that local factories are not yet ready to compete with imports from the Common Market for Eastern and Southern Africa region (COMESA).
A waiver period extended to Kenya by its COMESA partners to levy taxes on all but 200,000 tonnes of sugar imports expires in the Feb. 2008.
The country has already requested an extension to that waiver saying its vital sugar sector is still too fragile to withstand competition from COMESA producers.
Despite a huge potential for the country to produce enough sugar to meet its domestic consumption requirements, Kenya still imports an estimated 210,000 tonnes of sugar annually.
This import cargo comprises of 89, 000 tonnes of industrial sugar, mainly used in production of sweets, flavourings and pharmaceuticals while a further 121,000 tonnes is for domestic use.
Interestingly, despite its huge capacity, Mumias sugar still processes low volumes of cane and sugar. The problems it faces ranges from those posed by small-holder cane farmers and the shrinkage in cane supply.
Mumias, the biggest sugar firm in the country, is partly owned by the Government, while the other remaining seven sugar companies are government owned.
Stakeholders have always held the view that sugarcane farmers need incentives, including reduction in taxes and revival of collapsed industries like Miwani.
Founded in 1922, Miwani is the country's oldest sugar firm, but it collapsed due to competition from cheap sugar imports and mismanagement. It was the only factory in Kenya that produced refined sugar.
Farmers in the area still growing the crop incur heavy costs transporting their cane to Muhoroni sugar factory, tens of kilometres away.
At present, Kenya is still the only country importing sugar in the Southern Africa region.
On the international scene, sugar is produced in 127 countries in the world and consumed in all of them.
Only about 30 per cent of the world sugar output is traded internationally. The implication of this is that the world market is a residual market.
Kenya's import and export of sugar is affected by what happens in the various trade regimes that exist in the world. The country trades in four regimes which include the preferential and quota regime given by developed countries, particularly under the EU-ACP Cotonou Partnership Agreement.
The country also deals in the European Union (EU) Special Preferential Arrangement on Sugar (SPS), Free Trade Arrangement of COMESA and the East African Community (EAC) markets.
On the world market, the price of sugar ranges between US $125- US$ 168 per tonne. This is below the cost of production in Kenya, which averages US $ 500 per tonne.
Further, the market consumer price of sugar in Kenya is a premium of US $ 560 per tonne. This contrasts sharply with the consumer prices in the United States where it is US $ 430 per tonne. In the EU, the consumer price is US $ 530.
However, Kenya has access to the export market in Europe, under the EU and African, Caribbean and Pacific (ACP) sugar protocol.
Sugar industry experts on their part have attributed the country's inability to produce enough sugar to meet its domestic requirements on the inefficiency of the sugar milling and growing companies, mainly situated in the western Kenya sugar belt region.
The industry has been surviving on a five-year COMESA sugar lifeline, which allowed the country to reform its sugar sector in readiness for advanced competition from the 19-member COMESA region, where sugar is a leading import earner.
Recently, the industry came on the limelight due to a row over whether the sugar development levy should be waived on imported industrial sugar. Seven per cent levy is charged on the commodity with a view to developing efficient domestic sugar production.
The government then removed this duty on imported industrial sugar, during this year's budget, lifting a huge burden from sugar industries. There are now fears that unscrupulous dealers might use the waiver to import table sugar.

Retail Banks post large profits

By Jackson Okoth

Commercial that are strong on retail banking have hit a jackpot, recent quarterly financial reports show. All those with a huge presence of retail customers have posted huge increases in profit over the first quarter and even the same period last year.
Among these is Kenya Commercial Bank, Equity Bank and National Bank of Kenya. Between them, they earned some Ksh 3.72 billion in the second quarter of the current financial year. They posted increases ranging between 35 per cent and 99 per cent.
Equity led the pack with a huge rise of 99 per cent increase to Ksh 1 billion up from Ksh 503 million over the same period last year.

The bank has already taken in some Ksh 23.6 billion in deposits from customers, who number close to 1.4 million account holders. This is approximately a third of all bank accounts in Kenya, making Equity one of the fastest growing banks in the country.
Its loans and advances portfolio rose by 75 per cent from Ksh 15 billion from Ksh 8.5 billion recorded over a similar period last year. Equity has been able to upstage the mainstream commercial banks by targeting its business loans and products to small holders in a booming rural economy.
Its international award winning business model has jolted in the banking industry as mainstream banks, which had previously downsized and closed some of their branches in the rural areas, are rushing back there.
The bank’s half-year results also indicate that its total assets stand at Ksh 29.8 billion while it made provisions for bad debts equivalent to Ksh 189 million during the first six months of this year. Equity’s interest income from government securities has also increase significantly from Ksh 38 million to Ksh 159 million in the six months period ending June 2007.
Apart from Equity which recorded nearly 100 per cent pre-tax profit in the first six months of this year, other banks that have released their half-year earnings report between 3o-40 per cent increments.
NIC bank also went to town with impressive half-year results. Its pre-tax profit grew by 33 per cent from Ksh 354 million to Ksh 471 million at end of June, 2007. Interest on loans and advances was flat. The bank earned Ksh 1.17 billion from loans and advances during the first half of this year, compared to Ksh 1.02 recorded during the same period last year.
The bank’s interest income from government securities declined from Ksh 107 million in June 2006 to Ksh 78 million as at June 30th, 2007.
Its income from fees and commissions on loans and advances also declined marginally, from Ksh 56.43 million in June 2006 to Ksh 56.07 million, indicating a shrinking of its gross loans and advances portfolio in the first six months of this year.
NIC is the 7th largest commercial bank in Kenya, in terms of shareholders’ funds, with a paid-up capital of Ksh 412 million.
The half-year financial report indicates that NIC non-performing loans and advances portfolio is Ksh 1.1 billion compared to Ksh 1.2 billion recorded in 2006.
It made provisions for bad debts at Ksh 426 million compared to Ksh 581 million for the half year ended 30th June 2006.
A surprise performer and wild card is state-owned National Bank of Kenya. Its pre-tax profit for the last six months of this year improved by 35 per cent to Ksh 617 million from Ksh 457 million recorded over the same period last year.
NBK’s total interest income fell significantly from Ksh 2.2 billon in 2006 to Ksh 1.8 billion as its loans and advances to customers shrunk from Ksh 2.1 billion to Ksh 1.4 billion.
The bank’s MD Reuben Marambii explains the reduction in interest income as due to the dwindling of its loan portfolio which went down after the bank paid some loan owed by the government.
This reduction is also attributed to the prevailing interest rates, which have been falling for the first half of this year.
The amount of borrowed funds on the bank’s balance sheet has also declined from Ksh 177 million in 2006 to Ksh 93 million. Similarly, the weight of non-performing loans and advances has also declined from a massive Ksh 33 billion to Ksh 5 billion.
Owing to the shedding off of its huge non-performing debt portfolio, NBK is on its way back to sound financial footing, after a massive intervention by the treasury.
The financial results for the last six months of this year indicates that NBK’s interest income on government securities rose from 91 million to 325 million.
As an indication of its improved balance sheet, NBK made provision for bad debts at Ksh 2.4 billion compared to Ksh 14 billion made during the same period last year.
NBK has a past of unsecured lending to politically-connected individuals and corporate raiders of the yesteryear Kanu regime.
It has since struggled to clean its balance sheet as well as reposition the bank in the market. With paid up capital of Ksh 6.7 billion, this makes NBK one of the most heavily capitalized banks in the country.
The state owned Kenya Commercial Bank(KCB), one of the players in the billions league, has reported a Ksh 2.1 billion pretax profit for the Bank for the first half of 2007, reflecting a 40 per cent growth over the same period in 2006.
These profits have been attributed to increased business and improved operational efficiencies.
Net interest income for the six-month period grew by 27 per cent to KSh4 billion up from KSh3.2 billion during the same period last year. This reflects the increase in net loans and advances which went up by Ksh 18 billion during the period,
“The improvement in fees and commissions is purely a result of increased volumes as we have not reviewed our tariffs and charges over the last five years. We want to continue positioning KCB as the provider of

affordable banking and financial services in this market," says the Bank's Group Chief Executive Officer Martin Oduor-Otieno
The Bank's balance sheet increased in value by 17 per cent over the period to stand at Ksh 101.5 billion as at June 2007 from Ksh86.7 billion during the same period in 2006.
In terms of lending, it was a very good half-year for KCB as it booked an additional Ksh 10 billion in loans and advances since December 2006 thus boosting its interest revenue.
Provisions for bad and doubtful debts went up slightly 6 per cent in recognition of the growth in assets.
Deposits increased by 18 per cent to stand at Ksh 83 billion up from Ksh 70 billion during the same period in 2006, while the reduction in balances held at Central Bank and other institutions reflects funds applied to growing the loan book.
The Bank has also remained strong on all prudential ratios with core capital to total deposits at 10.5% (CBK minimum 8%), core capital to total risk weighted assets at 13.3% (CBK minimum 8%) and liquidity at 39% (CBK minimum 20%).
KCB is now expected to launch a major network expansion drive to put in place a further 35 branches in Kenya and 55 new ATMs across the region.
Since the beginning of this year, competition among commercial banks for retail customers has been on the increase.
A number of high-street mainstream banks, who had previously targeted the corporate end of the market, are now setting up shop on the pavements, literally hawking this or the other loan product or service.
As commercial banks fall over each other to catch the attention of clients, the offers being thrown their way include zero balance savings accounts, as well as discounts on transaction charges, including cheque processing as well as withdrawals, reduced bank charges as well as low interest personal loans.

Safaricom's outsourcing plan re-energizes industry

By Guchu Ndung'u

Kenya leading Mobile Operator, Safaricom, opened the expression of interest (EOIs) for the provision of call centre services to its customers on Friday last week.
The offer invited local companies with a capacity to handle and respond to between 10,000 and 20,000 incoming calls and 20,0000 and 50,0000 text messaged customer enquiries on behalf of the company to express their interest.
As we went to press, sources in the company said over 60 companies both local and foreign outsourcing firms had expressed interest.
The company is expected to give preference to local outsourcing companies. The Sources indicated that the possibility of different companies carrying the bid was particularly high.
Reports from Safaricom house, the headquarters indicate that the company was also considering spreading out, where call centres will be based in various towns across the country.
Safaricom became the first blue chip company in Kenya to toy with the idea of outsourcing part of its customer care services.
In adverts in the local media, the company invited expression of interests in providing back office activities like prepaid enquiries received through voice calls and SMS.
The interested firms have to meet a raft of conditions that touch on quality of service, labour relations, security, and space among others.
The offer reinvigorated the local Business Process Outsourcing scene, which had previously complained of lack of support from local companies. Many companies that the *Financial Post* talked to indicated that they expressed interest for the bid. Though adding that some conditions may call for additional investments Peres Were, an outsourcing consultant says that most have met the requirements, including the 95 percent quality rating.
"The call centers that we have in Kenya have very rigorous quality assurance standards and will able to serve the international market effectively," says Were.
She predicts that many other companies are likely to follow the Safaricom route, as they realize that outsourcing of non-core Business Processes, to third party providers can result in cost savings.
KenCall CEO Nick Nesbitt believes that companies in banking, insurance companies and telecommunications providers to outsource their back office, sales and customer service functions to specialized providers.
These companies he adds have the most competition and the most resources.
"They also have rapidly growing customer bases that increasingly expect to receive better service. In addition, they are under intense pressure to differentiate them while providing high levels of attention to their customers," says Nesbitt.
This came as the BPO sector carried out a high profile launch of its society and products.
The government and the Kenya BPO and Contact Centre

Society (KBPCCS) held a BPO forum in order to highlight the business potential for the region across all aspects of BPO.
Information Permanent secretary Dr Bitange Ndemo led a host of officials of the ministry of Information officials in the forum that was held last week.
Last month, Skyweb technologies introduced Call Magic technology, software that enables start up outsourcing firms to save both on the time and cost of doing both inbound and outbound calls.
Widely used in Mauritius and India, the technology is being marketed as suitable for start-ups and organizations with up to 50 seats. This came as Wisemen Trainers and Consultants became the first college to offer BPO and outsourcing training for the rapidly growing sector.

Kenya emerges as inflation paragon

By Mwangi Maingi

The average annual inflation rate declined to 7.4 per cent in the first quarter of this year, the lowest level in five years. The last time inflation stood at below 9.0 per cent was in 2003 when it hit 8.0 per cent, says the Quarterly Gross Domestic Product Report 2007. It then rose to 14.3 percent in 2005 and 17.8 per cent last year, says the QGDP 2007.
The government attributed the sharp decline in inflation to the sharp fall in food prices following improvements in the supply chain. The trend is expected to continue. “The fall in inflation rate during the year was mainly due to lower prices of basic foodstuffs, especially maize, grains and its products,” the report stated.
Other factors include: low interest rates and higher earnings experienced last year in the financial sector. The sector posted a growth of 7.3 per cent compared to 4.3 per cent in the first quarter of 2006.
Minister Obwocha, however, cautioned that the high cost of production, resulting from high international fuel prices and the poor roads, might affect the economic growth. He was optimistic on the government’s dedication to improve the road network and the building of the fibre optic cable would positively influence the economy.
On the high-energy cost, the minister said several measures have been put in place to reduce the negative impact of the expected power shortages. This includes purchasing power from independent producers to supplement what KenGen is currently generating.
He added that the country is hoping to interconnect its power grid to Zambia and Tanzania as part of the New Partnership for Africa’s Development (Nepad) funded initiative.
“Ethiopia has a total power demand of about 400 megawatts (MW) against a production capacity of over 1,875 MW and in principle they have agreed to supply us with power as we continue to develop our generation capacity,” he said.
The QGDP report released last week by the Minister for Planning and National Development, Henry Obwocha, estimates that Real GDP at market prices rose by 6.3 per cent in the first quarter of 2007 compared to 4.1 per cent in the same period last year.
Agriculture led the drivers of economic growth positing a 12.0 per cent this year compared to 0.3 per cent over the same period last year. This was due to a significant growth in production of crops like tea, horticulture and milk. However, there was a decline in the production of coffee from 17 606 metric tonnes in 2006 to 16 573 metric tonnes this year.
The manufacturing sector recorded a 7.4 per cent growth though food, beverages and tobacco sub-sectors recorded 6.1 per cent while other manufacturing recorded a growth of 8.1 per cent. Other sectors were hotels and restaurants (5.8%), transport (6.4%), electricity and water (4.9%).
The quarterly report, to be published after every three months, is part of the recommended special data dissemination standards (SDDS).
The bureau acting Director General Antony Kilele said they have subscribed to the International Monetary Fund (IMF) general dissemination standards (GDDS) and hence that would lead to the more rigorous special data dissemination standards (SDDS).
This would ensure a higher credit rating for the country, which is among the factors investors consider all over the world. SDDS would ensure that current data on Kenya is available to investors and businessmen.