HARD FACTS: The Kenya Revenue Authority targets Sh310m from matatus Page 25

The stock market closed first week of the year upbeat with NSE 20-share Index gaining 250.3 points and doubling turnover to Sh1.7 billion up from Sh854 million

Market Performance

POINTS	NSE20 INDEX
Close	5895.68
Day change	84.1
1 week change	250.03

Top Gainers

	PRICE	%
CMC	226.00	28.41
Sameer Africa	30.25	24.74
Equity Bank	169.00	21.58

Biggest Decliners

	PRICE	%
Eveready EA	16.15	-10.03
Housing Finance	43.75	-8.85
Williamson Tea	112.00	-5.08

Top Traders

Sh(B)	PRICE	VALUE
KCB	270.00	363
Barclays Bank	93.00	293
ICDC	360.00	160

Market Turnover

Sh(B)	FRIDAY	PREV
Equities	1.76	0.854
Bonds	0.494	0.016

Selected Macro Indicators

INTEREST RATES	LATEST	PREV
91- day T-Bills	5.912	01/08/07
182-day T-Bills	8.123	01/08/07

OPPORTUNITY

Traders look west as regional bloc grows

Entry of Rwanda and Burundi into EAC presents new business opportunities in region

By MUNA WAHOME

The two countries last month joined the East African Community, expanding the regional economic bloc to five nations.

Kenya, Uganda and Tanzania relaunched the community in 2003 and the Customs Union kicked off in January 1, 2005.

The entry of the two countries expands the EAC market by adding 15.9 million consumers to the 98.8 million in Kenya, Uganda and Tanzania. "This is an exciting period for us as it expands the market for Kenyan goods," immediate former Kenya Association of Manufacturers chairman, Aruni Devani, said.

He told *Business Sunday* that the enlarged customs union would increase cross border trade and competition, benefiting consumers in terms of lower prices. "When you address competition you make manufacturers more efficient," he added.

East African Breweries, which is listed on Nairobi, Kampala and Dar es Salaam stock exchanges, sees the enlargement as a great business opportunity. "The entry of Rwanda and Burundi is welcome because it is not only beneficial to sellers but buyers also," said managing director Gerald Mahinda.

Although the beer maker has a stronghold in East Africa, its subsidiary Central Glass Industries has been selling container glass to Rwanda and Burundi.

Population:

Tanzania	38.4 million
Kenya	32.8 million
Uganda	27.6 million
Rwanda	8.6 million
Burundi	7.3 million
Total	**114.7 million**

Presidents Kibaki (centre), Yoweri Museveni (left) and Jakaya Kikwete at a recent meeting on the East African Community in Arusha

"This can only make our business better," Mr Mahinda added.

The company produces 100 million glass containers in 73 different shapes and sizes each year.

The first attempt at East African cooperation failed in 1977 because of the three partners' widely divergent political and economic thinking.

Right from inception, the revived East African Community has established close co-operation with Burundi and Rwanda, particularly through linked roads and oil pipelines to the East African ports of Mombasa and Dar es Salaam.

Similarly, activities in investments and trade and co-operation in the environmental conservation of the Lake Victoria Basin have been heightened between the EAC countries and Burundi and Rwanda.

"The EAC has always stood by the people of Burundi and Rwanda," said East African and Regional Cooperation minister John Koech.

"During the regrettable periods of internal strife in the countries, the EAC partner states played a positive role not only in offering sanctuaries to refugees but also in spearheading diplomatic processes to restore peace and establish democratic dispensations," the minister said.

Unilever Kenya managing director David Mureithi said his company had benefited from the EAC customs union.

"The day the first phase of the EAC Customs Protocol was enforced in January 1, 2005, on average the duties we pay for our exports into Uganda and Tanzania came down by at least 50 per cent," he added.

CONTINUED ON PAGE 28

The Week Ahead

After the holiday blues finally wore off, the NSE had a robust first week of trading, giving indications that the bull run that has persisted at the bourse for much of last year is yet to come against the red rag.

Stocks worth some Sh1.76 billion were traded, with some 20 million shares exchanging hands during a week that saw frenetic action on the KenGen's counter. This is about double the Sh854 million realised last week on 11 million units, despite that the trading week was a day shorter.

It will be interesting to see how the bourse shapes up during this time as the traditional high season for retail sellers, keen to raise money for school fees and other start-of-the-year bills, sets it. The arrival of retail investors in huge numbers at the NSE, on the back of hugely successful Initial Public Offerings (IPOs) was one of the defining characteristics of last year.

Some of the activities likely to define this week is the protracted issue of the hefty Sh4.6 billion refunds from the Eveready IPO, which are still coming in at a frustrating trickle, especially if you listen to the unsuccessful small investors who are keen to get their money fast and punt it on other opportunities. It is an issue that has put the issue's bankers CBA on the spot.

Then there is the Mumias offer for sale, which has fallen kindly for institutional investors, some say by executive design, as their retail peers (largely the same crowd) queued in the dour Nairobi weather for refunds. It will be another week of waiting before the applicants know the final results on allocation, though word in the city is that it finally elicited full subscription.

January 12
Shareholders at City Trust should expect payment of their final dividends starting today. The Sh3.10 payout was announced on November 6.

INVESTMENT

Kenyans likely to be edged out in Stanbic IPO

BY MUNA WAHOME

Emerging indications are that the nearly Sh3 billion Stanbic Bank Uganda initial public offering (IPO) would be subscribed by at least two and a half times. This could spell disappointment to Nairobi investors who lately do not appear to get enough of any share sale.

They cannot get full allocation from the largest bank in Uganda and have to contend with refunds while awaiting the Kenya Reinsurance IPO.

The issue, heavily subscribed by Kenyans, however, is likely to be dominated by Ugandans living in the Diaspora, authoritative Stanbic sources said.

This is the largest ever IPO in the country, whose eight-year-old Uganda Security Exchange is still considered to be at its infancy.

The sale of 20 per cent stake, one per cent reserved for employees, kicked off on November 24 and was concluded on December 22. Over a billion share units were on the block although the whole shareholding in the bank will be listed.

Initial media reports seemed to suggest that Kenyans could crowd out Ugandan investors. Interestingly, the bank is headed by former Kenya investment secretary, 47-year-old Kitili Mbathi who was crucial in the bank's link-up with Uganda Commercial Bank Ltd (UCBL).

The impression is slowly mutating as returns for the Diaspora trickle in, according to players in the IPO.

Uganda has an economically-critical large population abroad — UK, the Americas and southern Africa — following years of political turmoil particularly in the '70s and '80s.

It is also emerging that stock handlers in the country have been slow in processing the issue, owing to what some observers deem relative inexperience, the reason full statistics are not yet available.

In Kenyan shilling terms, the issue is worth Sh2.9 billion — small potato if contrasted to recent offers in Nairobi. The Kenya Electricity Generating Company was worth Sh7.8 billion, for instance, while Mumias Sugar Company offer realised Sh4.5 billion.

Sizeable queues for the issue were experienced at the sister bank, Stanbic Kenya, also chiefly owned by Africa's largest bank, Standard Bank of South Africa. The Johannesburg bank on top acted as the transaction advisor.

The Ugandan government is ceding 10 per cent with Stanbic Africa Holdings, representing the South Africa parent concern, offloading an equal percentage.

The Kenyan retail investors were attracted to the Stanbic offer due to its theoretically lowly pricing per unit of Sh2.85 (or Uganda Sh70).

The minimum share purchase was put at 1,000 worth Sh2,850. This meant that more attention was paid to the sale than to the one of Mumias Sugar selling at

CONTINUED ON PAGE 25

OPINION

Stop this telecoms charade

One of the more depressing news items to appear at the close of 2006 concerned the problems that have emerged in the consortium (headed by VTEL of Dubai) that won the Second National Operator (SNO) telecommunications licence earlier in the year.

This was the operator we all hoped would go head-to-head with Telkom Kenya. It seems, however, that the local partners in the consortium may be having some difficulty with the small matter of coughing up the promised cash.

Not again. We've been here before. We still don't have a third mobile operator in this country, years after awarding the licence to a consortium led by South Africa's Econet Wireless. Why? Because consortium partners got into financial disputes about who owed what to whom, and ended up in court. Where have they been since? In fact, the Econet group is now trying to block the licensing of the SNO until its own matter is sorted out.

This is plain ridiculous, and you and I are the losers. Why on earth we allow jokers to join bidding consortia, and why we remain unable to conduct a proper tendering process that actually leads to services appearing on the ground, is beyond me.

Let us be clear: this is too important an issue to joke around with. Telecommunications liberalisation is known to

A Sunny Day

Sunny Bindra

be a very important driver of overall economic growth. Many a study has shown a strong correlation between positive developments in telecommunications and growth in GDP per capita. Better and more diverse telecommunications infrastructure improves everyone's productivity.

You don't have to be an economist to understand that. Economic growth in a modern economy comes from efficient exchanges of goods, services and information. If more people are connected, talk more, trade more and know more, more jikos will be blazing and more pots will be filled. That should be self evident.

Not, however, to our mandarins, who continue to preside over this farce. If service roll-outs continue to be delayed in this idiotic manner, all of Kenya will be the loser. We don't actually care who wins the bids, how they are organised, who owns what and how they won. All we really care about is getting more and better services.

We want more call boxes. We want more rural telephony. We want better long-haul connectivity. We want cheaper local and international calls. We want better data backbones. We want better service and cheaper prices. And we want it now. While we cool our heels amidst courtroom dramas, the rest of the world is racing away from us.

India gains 6.6 million new mobile subscribers every month, according to The Economist. A recent article pointed out that labourers, farmers and fishermen are suddenly part of the economic mainstream rather than being out on the periphery.

There are lessons here for us. At the start of this decade, India had one of the world's lowest phone penetration rates. The huge boom of recent years has been occasioned largely by government getting out of the way: allowing free entry to foreign firms; cutting licence fees; and encouraging competition. The result: India boasts the world's cheapest call rates and handset prices. Yet the main firms providing the services enjoy great profit margins.

We stand in our own way. We insist on 30 per cent local ownership for firms with telecommunications licences. Why? So that a motley crew of local cowboys and co-operative societies can partake in the

> If more people are connected, talk more, trade more and know more, more jikos will be blazing and more pots will be filled

festivities? What is the point of insisting on how the cake will be divided before we even bake it? Far better to let a competent firm get going, and insist that it sells a proportion of its shares to the Kenyan public after an agreed period.

By forcing foreign service-providers to go to the altar with an ugly and rapacious local bride, we are merely sowing the seeds of an ugly divorce. In any case, Kenyans as a whole would benefit far more from using the service provided to improve their lives, than from owning a flawed enterprise.

We also set out, years ago, to protect our own Telkom Kenya from competition. That was one of the biggest acts of folly we have committed. Years of poor service at absurd prices have been the cost we have paid for that one mistake. Had Telkom been thrown into the deep end to compete with lean and mean competitors, it might have emerged as a serious contender itself. As things stand, all the signs are that Kenyans will abandon it in droves as soon as a credible alternative appears.

My Telkom line was recently out of order for several weeks. After much complaining, I got to ask someone in customer service why repair had taken so long. Her answer said it all: December, you see, is a "holiday month."

Mr. Bindra is a writer and management consultant in Nairobi
E-mail: sunwords@hotmail.com

SCANDAL

Nigerian Cadbury rocked by fraud

The Nigerian shop of British confectionery and beverages transnational Cadbury Schweppes ended the year on a sour note after it was wracked by a massive financial scandal, media reports indicate.

At the heart of the financial woes at Cadbury Nigeria, which is listed on the Nigeria Stock Exchange, are accusations that its top managers inflated the firm's accounts by between N13 and N15 billion, according to a report inThis Day.

The padding of accounts saw the firm maintain a record of phantom profits for several years, which will now have to be adjusted, said the report posted on the Internet.

The scandal, which has been christened "Nigeria's Enron" by commentators in that country's media, has already resulted in the sacking of the two officials at the centre of the "book-cooking" allegations. They are CEO Bunmi Oni, said to be an icon of corporate Nigeria, and Finance Director Ayo Akadiri.

Nigeria's Securities and Exchange Commission (SEC) also announced it had also taken steps to protect investors in the firm, as the stock tumbled on the news.

The scandal first came to the fore last month after an investigation commissioned by the firm and executed by auditors PricewaterhouseCoopers.

A statement posted on Cadbury Nigeria's website said: "The investigation has confirmed a significant and deliberate over-statement of the company's financial position over a number of years... Cadbury Nigeria Plc will report an underlying operating loss for 2006 of between N1 and N2 billion. We also expect to make one-time exceptional charges in 2006 of between N13 billion and N15 billion in respect of the profit and balance sheet over-statements, which will considerably diminish company reserves."

The firm also announced the appointment of a Mr. Wallace Garland to act as Managing Director at the firm.

Cadbury Nigeria branch is one of Cadbury Schweppes' largest operations in Africa and is considered a blue chip on the country's bourse. Its plant, that started in 1965 as an escalation of a search for cheap sources of Cocoa, has developed as the core of a business that comprises a confectionery, food drinks and foods manufacturing units.

The transnational runs an expansive business in Africa—including a Kenyan unit—as part of a 200-country network that employs over 400,000 people.

Cadbury products on display at a shop.
Photo: File

REVENUE

Taxman now targets Sh310m from matatus

By MWANIKI WAHOME

The Kenya Revenue Authority plans to net Sh310 million from the matatu industry through tax deductions.

The move is expected to speed up the industry's regulation by making the jobs formal.

Among the changes envisioned in the Transport Licensing Board regulations of 2004 — also known as the Michuki rules —was to have the matatu drivers and conductors formally employed, and their salaries subjected to statutory charges such as Pay As You Earn, National Social Security Fund and the National Hospital Insurance Fund.

The matatu drivers pay Sh3,600 annual fee while the conductors pay Sh1,200. The amounts are in addition to the driving licence fee, which is renewable every year.

The new tax on the matatu crew follows an amendment of Section 12A of the income tax Act CAP 470.

Acting commissioner of domestic revenue Fidelis Mulei says the matatus are expected to start filing their returns for purposes of other taxes.

"The matatus have to file returns on an annual basis for other taxes. Some of the drivers are the owners of the vehicles," he says.

According to Traffic Licensing Board (TLB), there are 67,000 matatus with an estimated annual turn over of Sh60 billion. The public service vehicles employs an estimated 150,000 drivers and conductors, whose salaries have not been previously taxed.

Other advance taxes on the PSVs are Sh10,800 for a 14-seater and Sh16,000 for 25-seaters.

The Government in this year's budget removed the road licence and increased fuel levy by Sh3.20 to reach Sh9 from Sh5.80.

The authority aims at accelerating transformation in the sector, which has largely remained informal, until the introduction of the Michuki rules.

Express Connections deputy managing director Mary Mwangi which operates Double M public transport vehicles says though the tax is a big step in recognising these jobs, the government will have to do more to make the sector formal.

"The problem is that even those who have formally employed their crew and pay all the statutory charges for them like PAYE and NSSF, have their employees harassed. There is no difference with those who employ informally," she says.

Some players in the industry have been calling on the government to introduce reforms that would bring more predictability and discipline in the sector.

The matatu sector has undergone a transformation of sorts since the Michuki rules, which sought to make it formal but some of the gains have been eroded with the return of indiscipline on the roads.

The revenue authority has registered phenomenon growth in its tax collection since 2003, exceeding its own targets up to 2005. It however started experiencing shortfalls last year.

From Sh201 billion collected in 2002/2003, the amounts rose to Sh297.7 billion in the 2005/2006 financial year.

Concerns have been mounting over the authority's ability to maintain the meteoric rise in collections as fresh revenue points run out. The impressive revenue collection has enabled the Government to fund its budget up to 95 per cent.

The authority missed its collection target for the first quarter of this financial year by Sh1.6 billion to collect Sh82.9 billion against a target of Sh84.5 billion.

This financial year, it hopes to collect Sh355.4 billion, Sh57.7 billion more than it collected in the 2005\2006 financial year.

In August last year, the government said it would lock out the 14-seater matatus from roads on the major towns from March to ease traffic congestion.

Among the towns targeted are Nairobi, Nakuru, Mombasa and Eldoret.

Fleet owners have started upgrading their fleet by reviewing credit facilities and insurance products. Among the firms taking part in the initiative are Equity Bank, General Motors East Africa and Yana Tyres.

Despite this turn of events, the matatu fleet owners have introduced a 10-seater matatu to replace long distance Peugeot taxis, that have been driven out of the road by high fuel prices and increasing costs of repair.

Its passengers, however, have to pay higher rates than those of the conventional 14-seater matatu.

Public service vehicles employ an estimated 150,000 drivers and conductors
Photo: File

STOCK MARKET

State earns Sh4.5 billion from Mumias share sale

By WACHIRA KANG'ARU

The Government has realised Sh4.5 billion from the second listing of Mumias Sugar Company shares.

Initial reports on the subscription released by chief executive Evans Kidero show that all the 92 million shares on sale were fully taken by close of the application period.

The news is a relief to the issue handlers since the sale was on the verge of being the first to be undersubscribed in a year characterised by a boom at the stock exchange.

The allocation schedule and the date of trading will be announced on January 19 2006 and trading is expected to begin this month.

The share sale kicked off to a slow start as investors awaited for refunds from the Eveready share purchase, which had concluded only weeks before Mumias share offer was placed in the market. The slow start caused panic among the issue handlers who had to seek more time from the market regulator.

Expected to conclude on December 18, the application period was extended by three days to December 21 to give investors more time to apply for the shares.

Other than the refund, the slow take up was also attributed to the offer price of Sh49.50 per share, which market analysts noted could have put off investors who viewed it much higher compared to Sh9.50 for Eveready East Africa, or Sh11.90 for Kenya Electricity Generating Company's shares.

Notably, apart from the KCB second listing offer price of Sh65, the Sh49.50 price is the highest Treasury has ever sold a share in the market.

However the lead advisors defended the pricing, saying at Sh49.50 the price was already discounted from an average market price of about Sh54 per share at the time of listing the new shares.

But even with the low intake the market price of the already listed shares went against the grain.

With the sale of new shares at a discounted price, analysts expected that the market price of shares trading at the Nairobi Stock Exchange (NSE) would go down but it maintained its trading levels of between Sh51 and Sh54 through out the application period.

With the issue fully taken up, the Government has effectively offloaded 18.04 per cent of its holding in Mumias to retain 20 per cent which still makes it one of biggest shareholder.

MANUFACTURING

Sony Sugar on the spot over losses

By ELISHA OTIENO

Cane harvesting: Sony Sugar wants its Sh1bn loans converted into equity. Photo: File

Poor performance by Sony Sugar Company has been blamed on mismanagement.

Kenya Sugar Board chief executive Andrew Oloo Otieno says the company is yet to reach its potential although it is the only sugar firm surrounded by abundant healthy cane fields.

His comments are shared by the 20,000 plus growers spread out in Migori, Kuria, TransMara, Homa Bay and Suba .

They feel the potential of the company had not been utilised to their benefit as the main shareholders.

Situated in the green fields of South Nyanza, Sony has for many years supported the livelihoods of most communities surrounding Lake Victoria.

The death of fishing, rice and cotton industries in the region has left the miller as the only source of livelihood in the region.

The factory, started in 1997, has enabled many farmers to put up decent houses, educate their children and be a direct source of livelihood to more than 1,500 permanent employees and another 500 casuals, most of whom are cane cutters.

It was established with the objective of producing 60,000 tonnes of sugar per annum.

The early operating results under the then management team of Mehta Group International were encouraging. But the performance deteriorated steadily and by 1985, production had declined to 20,000 tonnes of sugar per year. In 1987, the Government entered into a new management contract with another expatriate company – Booker Tate Agricultural International, but which was terminated in 2000.

By the time Booker Tate handed over, the company was technically insolvent and had a negative working capital of Sh740,949,293, while revenue reserves stood at negative Sh845,658,547.

According to the management, the main factors that contributed to the accumulation of the negative reserves included financing of the factory rehabilitation project at a cost of Sh300 million through overdraft financing in 1997, uncontrolled influx of cheap sugar from Comesa countries and low volume of production after farmers abandoned cane farming due to non–payment.

Other factors included the buying of obsolete and unserviceable equipment in 1990 through loans and lack of prudent investment decisions.

Upon realising that the miller was faced with collapse, the management quickly put in place an expansion programme at a cost of Sh6.5billion, aimed at increasing the daily capacity of 3,000 tonnes to about 8,000 tonnes.

The envisaged expansion has been approved by the Sony board and the Agriculture ministry.

In a proposal submitted to the Government, Sony proposes that the existing Government and sugar board loans amounting to over Sh1 billion be converted into equity to make the company attractive for external investment.

"The purpose of restructuring and expanding the company is to provide it with a balance sheet free of losses. With these, the miller will attract new capital, position itself to operate profitably, be self sufficient financially and be able to compete with the established players," acting managing director Benard Otieno said recently.

Sony has mandated the Cooperative Bank to carry out financial restructuring and source for expansion funds. When he visited the company soon after his election as the Head of State, President Kibaki approved the move, saying it would create wealth.

Mr Otieno played down the threat posed by the establishment of the proposed sugar factory in Trans Mara, saying cane production in the region was enough to keep them going.

A sugar board director Adero Omonge asked the management to rid the company of corruption.

He said the firm had been losing millions of shillings through the sale of sugar to ghost traders, whose records were not available at the factory. The cash was pocketed by individuals, plunging the miller into a financial crisis.

The latest case involved the sale of a sugar consignment worth Sh7.5 million to an unknown trader. The money could not be traced in the company's bank accounts.

A worker at the sales department has since resigned and two others arrested.

" We want to see people in court…there should be no sacred cows. Farmers in this region cannot get their pay on time because some people want to enrich themselves," said Mr Omonge.

The firm's sales manager Jane Odhiambo is on suspension over accusations of insubordination.

"Competent Kenyans should be recruited through a competitive process. We want people who can deliver to the expectations of the farmers and other players," said Mr Omonge.

The director said some people were recruited

Irregularly without their positions being advertised as required.

Cases of fuel siphoning by drivers and cane spillage during transportation are also rampant, affecting the company's growth.

Rongo MP Ochillo Ayacko said the sugar industry should be reformed to survive when the Comesa protection window closes in February next year.

Agriculture minister Kipruto Kirwa has challenged the

Sony board to streamline the company's operations and advertise the position of managing director.

He also asked the board to look for a partner who could support the company's expansion programme.

The factory registered its first profit of Sh48 million in the 2003/2004 financial year.

In the following financial year 2004/2005, it recorded a profit of Sh280 million.

KSB says the management of Sony must get down to serious work to save the it from collapse in view of competition in the world market.

Stanbic IPO likely to favour Ugandans

CONTINUED FROM PAGE 21

Sh49.50. Stanbic Uganda makes almost Sh2 billion annually before tax and most earnings are from fees and commissions (non-loan). Its ratios are well above the Bank of Uganda core requirements.

The share will begin trading at the USE on January 25 but information on the allocation is expected on January 15.

The 71-outlet bank was registered as National Bank of India in 1923 with its office in London but changed shareholding structure over the years leading to 1992 when the South Africans purchased 51 per cent stake.

The government of Uganda sold them the balance 49 per cent shares in 1996.

Five years back, it bought 80 per cent shareholding in UCBL in a share swap that left the government holding 10 per cent stake.

Uganda has experienced relatively consistent growth in nearly one and a half decade but its Sh170 billion market capitalisation (nearly a fifth of NSE) bourse has just attracted five local companies.

They include Uganda Clays, BAT Uganda, Bank of Baroda, DFCU Ltd and New Vision Printing and Publishing House.

Kenyan firms East African Breweries, Kenya Airways and underwriter Jubilee Holdings have cross-listed in Kampala.

However, mass cross listing of firms is soon expected, a situation which could pressure up share prices especially in Tanzania and Uganda as Kenyans go for bargains.

Stanbic is one of the 15 commercial banks in Uganda.

Standard Bank also trades under the name Stanbic Bank in Botswana, the DRC, Ghana, Kenya, Malawi, Nigeria, Tanzania, Zambia and Zimbabwe.

It is called Standard Bank in Namibia, Swaziland, South Africa, Lesotho, Mauritius and Mozambique represented by Union Commercial Bank in Madagascar.

A Stanbic bank in Nairobi. The Ugandan Government is offloading 10 per cent of its shares from Stanbic Africa Holdings. Photo: File

INVESTMENT

Group targets investors in stock market

By WACHIRA KANG'ARU

As the interest in stock market investment grows among Kenyans, questions are being raised over the integrity of the companies listed and the information offered to the public.

But efforts by a group of professionals may help create a more open and level playing ground by providing investors with market insights and guidance.

The Institute of Chartered Financial Analyst is making inroads in Kenya with slightly over 20 Charter holders out of which seven joined the membership last year. There are about 70,000 Charter holders worldwide.

First awarded in 1963, the Chartered Financial Analyst (CFA ®) charter is the designation of professional excellence in investment principles.

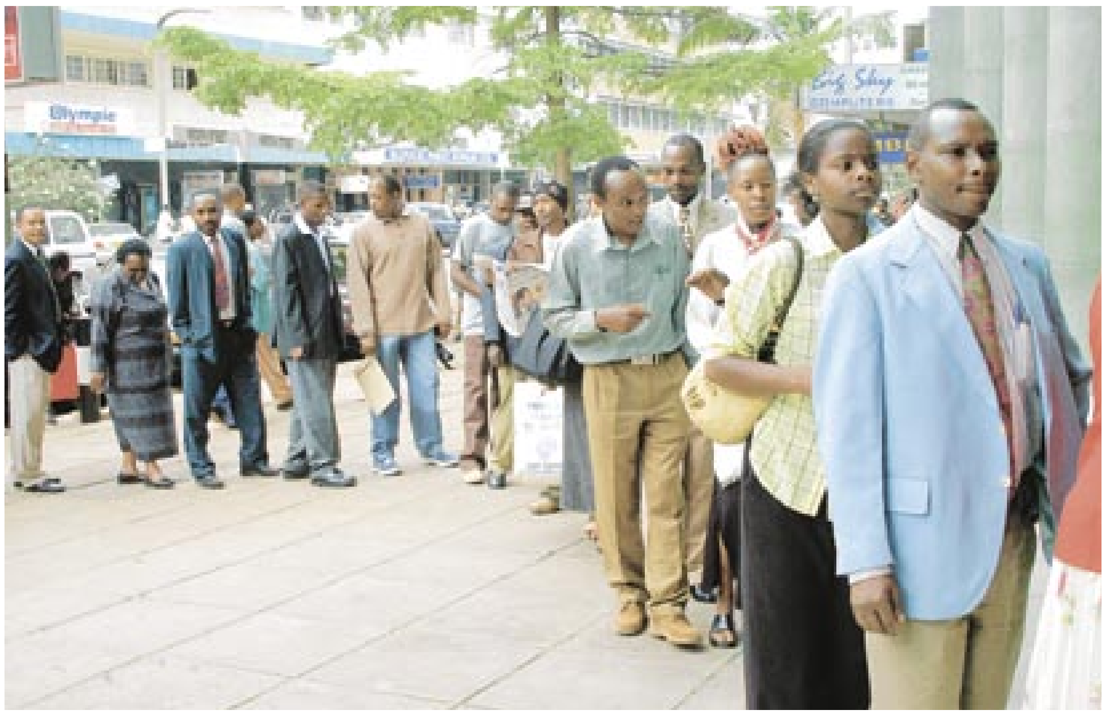
It is noted as the definitive standard for measuring portfolio management and investment analysis competence and integrity.

"One very important part of the process is the instilling of high degree of ethics and professional standards that demands, above all else, that one must put the interests of his clients first," said Mr Robert McLean director University Relation CFA Institute during the first East African CFA Charter Award Ceremony late last year. During the ceremony, seven of the 10 candidates who passed the final CFA exams last year were granted their charter.

"This is a record achievement for East Africa" said Mr McLean.

Ms Renee Blasky, the first resident charter holder in Kenya, said: "This was the first ever event we have had and I hope it will lay the foundation for an East Africa Society."

However to attain society status, a minimum of 50 members is needed, 35 of which must be charter holder and the rest seating for level III exams.



Kenyans queue to buy KenGen shares last year. A group of professionals plans to create more awareness in stock market. Photo/FILE

Level III is the final CFA exams.

Ms Blasky works with Vista Capital, a global investment advisor firm, and has supervised the institute exams in Kenya since 1996. In Kenya, the exams are offered at the Hilton Hotel in Nairobi, with level I exams offered in June.

Offered as a post graduate programme, one must be either in the final year of a bachelors programme or have had four years of qualified, professional work experience or a combination of work and college experience that totals at least four years.

According to the institute, based in America, the CFA programme develops investment professionals equipped with a broad foundation in globally relevant financial analysis skills and a world vision.

As a candidate, one must meet the professional conduct admission criteria after which one must remain committed to the CFA Institute Code of Ethics and Standards of Professional Conduct.

"There is nothing that CFA Institute does that is more important than promoting and enforcing the use of the Code and Standards among members and candidates," the Institute notes on its website.

To attain a charter, one is required to pass exams (levels I to III) in sequence and accumulate four years of experience.

Going by the institute data of the 116,000 candidates currently enrolled in the various level and working in nearly 200 different countries, 75 per cent are male. Some 96 per cent are university graduates or higher and only four per cent are taking the exams based on their accumulated years of experience.

Africa/Middle East accounts for five per cent of the candidates as does Asia and Canada. US contributes the bulk of the candidates at 36 per cent followed by Asia 21 per cent and Europe 15 per cent.

Risks that come with used computers

By SAM WAMBUGU

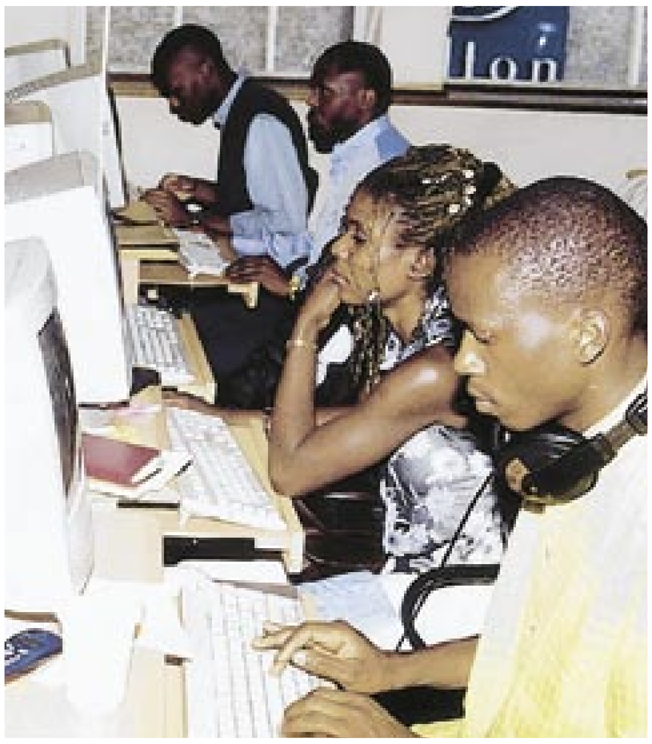
The growing amount of computer waste is becoming an increasing problem, with millions of digital devices becoming obsolete each year, thanks to a technology industry that is racing to produce sophisticated, faster, better and less expensive equipment.

While there are recycling programmes in advanced countries such as the US, much of the waste electronics finds it way to the developing world.

A documentary report entitled "The Digital Dump: Exporting High-Tech Re-use and Abuse to Africa," exposes the ugly underbelly of what is thought to be an escalating global trade in toxic, obsolete, discarded computers and other e-scrap collected in North America and Europe and sent to developing countries by waste brokers and so-called re-cyclers.

These countries have policies that promote changing of computers after a defined period and such computers are invariably destined for countries such as Kenya. These nations have also beefed up environmental laws requiring users to dispose of used electronic equipment at recycling stations. But organisations are increasingly using the export of old equipment as a way to circumvent such rules.

To many, old computer monitors and printers sitting tucked away in a closet for months or years are nothing more than an unwanted nuisance and any method of disposing them is welcome. Such digital equipment is being donated or sold to developing nations sometimes as a way of dodging the expense of having to recycle it properly.



Most of the used computers sent from western countries to Africa are often neither usable nor reparable. Photo: File

Burning with urge to quench the technology appetite for the poor in Africa, many Americans who donate old computers may be lulled into thinking their old computers are being put to good use.

Such digital equipment however, may have a negative impact on our environment, especially if disposal continues unabated.

Studies conducted over time reveal that much of the used computer equipment sent from Western countries to developing countries for use in homes, schools and businesses are often neither usable nor repairable, creating enormous environmental problems.

Most of the environmental concerns with computers lie with the monitor, specifically its cathode ray tube (CRT). Each colour monitor contains, on average, four to five pounds of lead, considered a hazardous waste when disposed of, according to the US Environmental Protection Agency (EPA) standards.

Computers also contain other hazardous materials, including mercury, cadmium— a known carcinogen — and hexavalent chromium; shown to cause high blood pressure, iron-poor blood, liver disease, and nerve and brain damage in animals.

Much of the equipment being shipped to Africa is from re-cyclers in the US, who typically get the used equipment and ship it abroad for repair, sale or to be dismantled using low-cost labour.

To protect our environment, the Kenya Bureau of Standards and the National Environmental Monitoring Agency need to flex their muscles and evoke regulations that prohibit digital dumping. They should develop a programme that would provide assurance that exports of recyclable materials would be environmentally sound.

In America for instance, the EPA estimates that 45 million computers became obsolete from 2005. California, Massachusetts, and Minnesota have already outlawed the disposal of computer waste in garbage pits. In 2003 alone, 23 states initiated legislation to address the mounting problem of computer waste.

After upgrading computer systems, most organisations store their old computers, which serve as backup equipment in case newer ones break down. These old computers often sit in storage well beyond their shelf life.

Continuing to store is often not a viable option, because they eventually take up a considerable amount of space. At some point, a decision must be made about disposal. The least desirable option is to throw old computers in the garbage.

Such disposal has the possibility of someone removing hard drives and recovering sensitive data. There are three better options available: re-use, recycle, and trade-in. KeBS and Nema should start vibrant campaigns to educate individuals and organisations on this as the use of computers spread.

Most computer manufacturers such as Dell, Gateway and HP/Compaq have trade-in programmes. For example, Dell has a programme (DellExchange) that facilitates Dell customers from donating, trading, or selling used computers. Gateway's programme provides individuals who donate their used computer a $25 to $50 cash refund. HP/Compaq's trade-in programme provides a refund check for the value of a computer, if the computer is traded in on the purchase of a new HP/Compaq computer.

If a decision is reached to dispose of a computer, regardless of how old it is, there are several important steps to take before handing it over.

First, remove the hard drive or reformat it. Simply deleting files does not prevent them from being recovered from the hard drive; sometimes, files can even be retrieved from re-formatted drives.

Next, evaluate software licence agreements to determine if they preclude transfer of the software along with the computer.

It is important to remove all company insignia and inventory control tags from computers to be disposed of. Removing company insignia and control tags can hamper hackers from identifying the company to which any recovered information belongs.

The writer is an employee at Family Health International (FHI). E-mail: samwambugu@yahoo.com

Traders look west as EAC expands

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And by 2009 Kenyan manufacturers would have stopped paying duty on any product exported into Uganda and Tanzania.

"One could have looked at it and said we should have had the 100 per cent duty removed at one go but for me, getting 50 per cent then and the rest of it in instalments represents a big step forward," he added.

Mr Devani said the inclusion of Rwanda and Burundi was an opportunity for manufacturers. "I am willing to bet that in a few years to come foreign investors will be falling over themselves to invest in this market," he said.

To achieve the full benefit of the expanded community, Mr Mahinda called for the improvement of infrastructure to make transportation of goods easier. He also called for speedy harmonisation of domestic taxes within the region and member countries to allow movement of workers.

"Free movement of human resources within the region has to be addressed so that companies can attract high calibre employees whether they are citizens of those countries or not," he said.

Restrictions on the movement of labour remain a major problem and citizens of the region have no advantage over other foreigners in the issuance of work permits.

Disputes over immigration are common and cases of citizens being expelled arbitrarily from one country or another over work permits abound.

The EAC plans to launch a common market by 2010, a monetary union by 2009 and a common president and parliament by 2010.

Public think tank Kenya Institute for Public Policy Research & Analysis (Kippra) says EAC integration was viable but said political, social, and economic challenges should be addressed.

The three countries are low-income countries although Kenya is slightly better off. "Yet, we are informed by experience that regional integration between low-income countries tends to result in divergence rather than convergence in incomes, trade diversion rather than trade creation, and to attract tariff jumping and foreign direct investment – factors that reduce the economic and political viability of such integration agreements," a study by Kippra says.

Although political was not a problem, the immense power that heads of state continue to hold over the destiny of the community is potentially disastrous.