

economic review

Key Interest Rates % - September 2008

Average Base Lending Rates (Key Banks)	14.06
Inter-bank Overnight Range	6.71
3-month Treasury Bill Rate	7.66
3-month KES Deposit Rate	4.48
3-month USD Libor Rate	3.20
Central Bank of Kenya Rate (CBR)	9.00

Source: Central Bank of Kenya

Kenya's Economic Review

GDP Growth

Kenya's GDP is estimated to have expanded by 7.0% in 2007 compared with 6.4% in 2006. The actual growth was a result of improved performance in agriculture, tourism, building and construction, manufacturing, financial services and a conducive macro-economic environment. However, the post-election crisis together with the high cost of fuel, rising inflation, drought prospects and the current worldwide economic uncertainty are critical factors which could affect growth this year. The Government has forecasted a slowing down in the economy with growth projected between 3.5% to 4.5% in 2008. Although some sectors of the country are still in recovery mode from the economic slowdown triggered by the post election violence in the first quarter, going forward, the International Monetary Fund is estimating that Kenya's economy should grow by 7.2% in 2009.

Interest Rates

The Safaricom IPO created a significant liquidity distortion which is gradually easing. The still on-going repayment of the IPO refunds has improved liquidity as is evident from rising subscriptions for Treasury instruments, which are driving



down yields. Central Bank has also repeatedly rejected higher bids in order to contain interest rates which have remained generally steady with modest declines or gains. In the last auction of 18 September 2008, the 91-day Treasury bills rate fell from 7.689% in the previous week to 7.660%

while the average 182-day Treasury Bills rate edged up marginally from 8.025% to 8.046%. Many investors have diverted funds into fixed income securities in a bid to find a safe haven from the bearish and downward spiraling equity market which has continued to erode portfolio values. It is worth noting however that with the relatively high inflation rates experienced in recent months which are unlikely to ease significantly soon, investors should be cognizant of the fact that they will not be able to get positive inflation adjusted returns in fixed income securities.

Consumer Price Index and Inflation

Consumer Price Index (CPI) and inflation figures for the month of August showed that the overall inflation rate accelerated from 26.5% in July 2008 to 27.6% in August 2008. The underlying inflation rate, which excludes food items from the CPI basket, increased to 13.1% in August compared to 12.2% in July. Food prices

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Chairman's Message

On this auspicious occasion of Eid ul Fitr on behalf of the Economic Planning Board for Kenya, I extend my warmest felicitations to Ismailis around the world.

Kenya today is linked in every way to the economies of the world due to globalisation and economic dependency across borders and boundaries. Thus what transpires in the financial markets across continents will have various consequences in Kenya as well. It is therefore imperative to plan to save, keep abreast of the global markets and spread your risks.

- Anwar Amershi,
Chairman, EPB Kenya

strategic alliances

First Ismaili Economic Forum held in 2008

The first ever Ismaili Economic Forum (IEF) was held at the magnificent newly built Ismaili Centre in Dubai from 26–28 April 2008. Prince Ayn graciously gave the inaugural speech. Opening remarks were made by President of the UAE Council, Naushad Rashid. Keynote presentations were made on the globalisation of Alliances, the importance of such networks, and the diversity, depth and scope of Alliances and entrepreneurship in the global Jamat.

Approximately 300 delegates and speakers attended the conference from 25 countries. Also in attendance were global representatives from the Leaders' International Forum (LIF) and the Aga Khan Development Network, including Syria, the Kyrgyz Republic and Tajikistan. The Kenyan Delegation included mem-

bers from Nairobi, Mombasa, Kisumu, DRC, Burundi, the AKDN Kenya Representative, Aziz Bhaloo and LIF member, Asmita Gilani. The main objectives of the conference were to:

- Promote the value to Ismaili businesses to come together to form alliances
- Encourage existing alliances to ascend the value chain
- Promote entrepreneurship and globalisation
- Encourage the Jamat's presence in businesses and alliances.

The significance of this Forum was to set the stage for future collaboration and it provided an overview of the current profile of businesses and strategic alliances in the global Ismaili Jamat. It showcased their diversity, depth and scope within and across countries as well as highlighting the opportunities for enhancing the capacity of, and improving the collaboration between existing alliances, along with suggesting areas where new alliances and mutual partnerships can be formed.

A Networking Dinner was organised on 26 April at the Dhow Palace where delegates were encouraged to participate in the games to provide an ideal platform for all to network and get to know one another. A Conference Gala Dinner was also held in the evening where keynotes were delivered by Chairman of the LIF, Azim Lakhani and International Task Force Convenor, Ahmed Eboo.



Prince Ayn addresses the delegates at the opening of the Ismaili Economic Forum in Dubai.



The Ismaili Centre in Dubai.

Kenya's Economic Review *continued from page 1*

are expected to come down in time with the softening of fuel prices in the international market. However, the effects of this may take time to trickle in.

Exchange Rate

Soaring inflation, payment of Safaricom IPO refunds to foreign investors and weaker fundamentals in the economy have all contributed to the shilling losing value against all major currencies.

Equity Market

The Nairobi Stock Exchange (NSE) index fell to a low of 4,004.02 on 17 September 2008, a level last seen on 10 April 2006. Since the beginning of this year the index has declined by 22.5%. Although there has been some recovery on the NSE since 18 September 2008, it is yet uncertain whether the turbulence in the American markets may have lasting ripple effects on the NSE. Despite the inflationary pressures and the loss in the value of the Kenyan shilling, the fundamentals of most listed companies

remain strong and the half year results of many companies have shown improved performance. Going forward the weak shilling is likely to help the agricultural and tourism related sectors.

With strong corporate earnings, expectations of a growing economy next year, and better liquidity levels, the NSE is encouraging new listings and a number

of IPO's are in planning stages including Co-operative Bank, Consolidated Bank, possibly National Bank, the Development Bank of Kenya and Kenya Wine Agencies.

The NSE is also formulating a vehicle which will allow the listing and trading of real estate through Real Estate Investment Trusts (REITS) at the NSE.

Kenya Shilling Exchange Rates

	US Dollar	Sterling Pound	Euro	Yen
5 September 2008	70.47	123.95	100.73	66.07
8 September 2008	70.21	125.36	100.86	64.73
9 September 2008	70.26	123.46	99.18	65.32
10 September 2008	70.41	124.13	99.64	65.58
11 September 2008	70.62	123.66	98.67	65.79
5-11 September 2008 2008	70.39	124.11	99.81	65.5
12 September 2008	70.71	124.51	99.08	65.87
15 September 2008	70.53	127.14	100.83	66.73
16 September 2008	70.74	126.99	100.77	67.85
17 September 2008	71.86	128.42	101.8	67.64
18 September 2008	72.84	132.76	104.54	69.68
12-18 September 2008	71.34	127.96	101.41	67.55

Source: Central Bank of Kenya: Weekly Bulletin – September 19, 2008



building bridges

SAITO - The Strategic Alliance of Independent Tour Operators - was formed in accordance with Mawlana Hazar Imam's guidance for establishing alliances for mutual collective gains and has brought together 10 Ismaili tour operators, to use their collective strength to diversify their product range and strengthen their purchasing power.

The first venture the Alliance undertook was guaranteed regular departures to the Maasai Mara Game Reserve, which was identified as a gap in the industry. Despite the difficult times the industry was experiencing, the venture was successful as a result of the quality and efficiency of the product and service, with over 400 regular guaranteed departures undertaken.

SAITO then began block purchasing hotel bookings over peak periods to be resold at a premium, and the Alliance also began bulk buying fuel, spares and other services at lower costs, thus



reducing their operating costs and increasing their profitability. Some members of the Alliance innovated further and ventured into establishing tented camps in some game reserves across Kenya.

Each SAITO member has at least 15 years experience in the field, enjoys a reputation as a provider of quality service and a high level of integrity, and has come up with creative and innovative ideas for the enhancement of the collective business. Most members have their own fleet of vehicles, while some have offices in Mombasa and Arusha to cater for the coastal and Tanzanian business that they handle. Members work with each other in outsourcing services, using each other's strengths for the benefit of individual members, and retaining the business within the Alliance for the obvious benefits.

The Kenya Jamat is renowned for extending its traditional warm welcome to all visiting Jamati members and during Mawlana Hazar Imam's Golden Jubilee visit to Kenya, as well as the Golden Jubilee Games, SAITO designed attractive safari packages for visiting Jamat and athletes to enable them to enjoy the best of Kenya.

SAITO will continue to develop exciting offers for the Jamat to cater to their needs. For more details on bookings, please contact SAITO members on info@saitokenya.com or contact EPB offices situated at Town Jamatkhana.



marketing abroad

Kenya's Tourism Campaign to run on CNN

Kenya's bid to increase tourism got a boost after tourism minister Hon. Najib Balala signed an advertising deal with CNN that will see it showcase local tourism products for one year. The CNN campaign will cover Europe, Asia, Middle East and Asia. An internet campaign on the network's website targeting the US market will also run for the same period. Kenya's tourism adverts are also expected to run in subway stations and on billboards in major European source markets to attract the number of visitors that are needed to convince charter flight operators to resume



flights to Nairobi and Mombasa. Similar campaigns are planned for the BBC and Al Jazeera.

The Sh130 million advertising agreement is part of Kenya's global campaign to revamp the tourism sector that was hardest hit by the post-election violence. The European Commission Delegation in Kenya is funding the advertising campaign.

(Daily Nation 23.07.2008)



Interview with Azym Dossa of Easy Coach

In a country where access to a state owned public transport system is practically non-existent, privately owned vehicles, popularly known as matatus, are about the only means of passenger transport. A transport service, which provides their passengers with a sense of dignity and comfort, is rare. Yet, such a fleet of passenger service vehicles is available in the form of buses owned and managed by Azym Dossa.

The Economic Planning Board interviewed Mr. Azym Dossa, who owns Easy Coach together with his partner Zully Adatia.

You own one of the few passenger transport service businesses which offer their passengers both dignity and comfort – can you give us some background on your business?

I worked for a major passenger service transport operation for many years before my entrepreneurial spirit led me to form Easy Coach. With many years of experience, I already knew that there were certain basic elements lacking in the facilities that were available for passengers traveling long distances, and I was happy to provide them with that level of service.



Mr. Azym Dossa, Managing Director of Easy Coach.

What facilities do you think were lacking before you introduced them in your passenger transport system?

We needed to create more sensitivity towards the needs of passengers. Passengers needed to have a comfortable waiting room and access to basic amenities such as washrooms to freshen up before or after their journey. According to me, these are very important requirements in this system.

What were some of the challenges you faced when you started Easy Coach?

I believe the biggest challenge was finding the right location for my bus terminal. In fact, I had identified the perfect location at the Kenya Railways main terminal in Nairobi. However, the deal did not materialise and it took another couple of years of negotiation before the Railway Authorities reassigned me with alternate premises near the Kenya Railways. We formed Easy Coach in the year 2000 but were not operational until the year 2002.

What is the size of your fleet of vehicles?

We started with 11 buses in 2002, we now have 55 buses.

For a passenger service vehicle company which started just a few years ago, you are growing fast - what do you think gives you an edge over your competitors?

When we named our company Easy Coach, we definitely wanted to make things easier and more comfortable for our travellers. For our coach service to be successful, we needed passengers who were loyal to us. We provided our passengers with a waiting room facilitated with basic amenities. We even have a TV in our waiting room. All our buses are air-conditioned. We don't believe in operating old buses and retire every bus after 30 months and replace it with a new one. One factor you can manage to control is a bus departure time. We try to ensure that our buses leave on schedule. Even though our fares were slightly higher than those of our competitors, we managed to attract a good number of travellers from the beginning. We also have uniformed staff operating the buses. We have introduced a level of professionalism, which was lacking in the system. We have a customer suggestion box and reply to every email we receive. Customer feedback is very important to us. We offer our passengers safety, security, reliability and comfort.

What measures do you take to ensure passenger safety?

We were cognizant of the fact that passenger safety came first and every bus had seat belts installed even before the Ministry of National Road Safety introduced the seat belt law. A speed governance feature is installed in every bus.

As EPB was interviewing Azym Dossa he received a text message informing him that one of his buses had departed. Azym smiles and says that his staff report to him every time a bus departs.

It appears that you are micromanaging this business?

Yes, I am a "hands on" type of manager and I work every day of the week. We enjoy loyalty from our employees who obviously play a major role in contributing to our success. We have 650 permanent workers and reward them in many ways. Often, they get Uchumi Gift Vouchers. Many employees tell me that they had never shopped at Uchumi and a Gift Voucher from Uchumi gives them much pride.

Easy Coach was in the news early this year during the post-Election time – have you overcome the loss you experienced during the crisis?

Two of our buses were burnt down during the crisis and we have not fully recovered from the losses we experienced. Even though we were grounded for 2 weeks, we did not lay off a single worker.

How has Easy Coach been creative and innovative?

We know that you have to seek out the shopper. We have also introduced a courier service and have ticket purchase and parcel drop off services available at convenient locations inside some Nakumatt or Uchumis.

What do you think the future holds for you?

I believe we are looking forward to a bright future. Currently, with 200,000 travellers per day, we are only seeking to fill in a slot of 2,000 travellers so it is obvious there is plenty of room for growth.

Can you offer some advice to individuals with an entrepreneurial spirit?

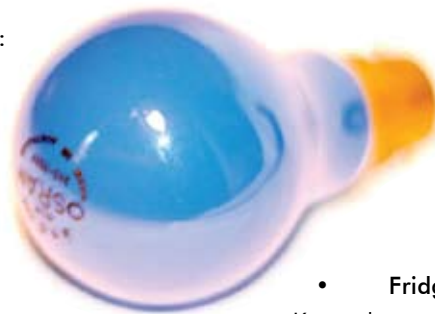
Owning and operating your own business is 99% perspiration and 1% inspiration. Be prepared. It is very rewarding in many ways.



One of the modern coaches that have been added to the existing fleet.

Tips on Saving Money on your Electricity Bill

- **Don't leave electrical appliances on standby:** Items left on standby use up to 85% more energy than they would use if fully switched on.
- **Use energy saving bulbs:** They may be more expensive to buy than traditional bulbs, but they are worth the investment as they last over 10 times longer and use up to 4 times less energy.
- **Use solar garden lights** which charge in the sunlight and automatically light up at night.
- **Electric water heaters:** Install instant hot water shower pieces in homes rather than power guzzling geezers that take considerable amount of time and wattage.



- **Efficient cooking:** Use the right size pan when cooking, pre-heat water in a kettle before cooking and only boil the amount of water you need. Home baking can be more expensive than purchasing from reliable bakers.
- **Fridges and freezers:** Keep these appliances away from direct sunlight or ovens and avoid putting hot food inside. Defrost your fridge regularly. Avoid leaving the door open for long periods. Another good tip is to defrost frozen food in the fridge as this helps to keep it cool as it thaws.

Extracts sourced from electricity-guide.org.uk

The Power of Motivation

There is a great power of motivation in every entrepreneur or businessperson which is as old as culture itself. Successful entrepreneurs are motivated by various factors such as the thrill of the venture, a desire to excel, a thirst for achievement, an internal drive to pursue and attain a challenging goal or even a desire to reach their full potential. The fact is that true entrepreneurs are driven by their desire to innovate, to create, to

provide, and to make the world a better place. Creating long-term objectives and goals challenges one to be more enthusiastic and motivated and forward looking. Regardless of age, if we do not have a framed and very visible listing of goals and are not aware of what we want to accomplish in our life, all we do is rise up, do what we did yesterday thereby adding no value to our life.

Let us challenge ourselves to create our own mission statements, define who we are, know what we are striving for and discern our core motivations.

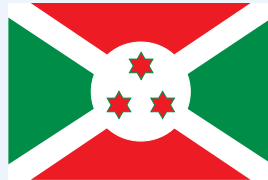
INSPIRATIONAL THOUGHTS

"How often misused words generate misleading thoughts."
- Herbert Spencer

If you realized how powerful your thoughts are, you would never think a negative thought."
- Pilgrims

Placing Burundi on the Map

Burundi, 27,800 km² in the heart of Africa, has a population of close to 8 million comprising two main local tribes: the Tutsi and the Hutu. Also known as “the little Switzerland of Africa” owing to its landscape of hills and lakes, this ex-Belgian colony has long been - and many agree, still is - a gem of a country, lost in a tumultuous history of 15 years of civil war and political instability. As a result, the country has been left behind, with per capita GDP estimated at just \$119.



Burundi’s primarily agricultural-based economy is renowned within the region for its premium quality coffee, tea, cotton and palm oil - all of which are still primitively cultivated, thus leaving substantial potential for growth untapped.

In the trading sector, weakening purchasing power and a severe lack of disposable income generate a need for low-end consumer products. However, a highly volatile national currency along with high inflation rates has made transactions in this sector unpredictable. The Burundi Franc (BIF) has suffered 400% devaluation from 300 BIF to a dollar in 1995, to current exchange rates of 1200 BIF to a dollar.

Proximity to Lake Tanganyika and its well renowned fish like *Sangala* and *Capitaine* also create opportunities in Burundi’s presently infant fishing industry.

There is also high potential in the health care sector, with not a single well equipped hospital in the country.

The Burundi Jamat, presently estimated at 110 members, operates primarily in the trading sector, mainly wholesaling and retailing hardware, construction materials, general commodities and automobile spare parts. The majority of the Jamat lives in the capital Bujumbura, with some families residing in the surrounding towns of Gitega and Ngozi. The Jamatkhana is presently under renovations, in the hope of accommodating a growing Jamat in the years ahead.

Finally, while keeping its fingers crossed for the upcoming 2010 national elections, the Burundi Jamat is optimistic about the future. After everything that the country has gone through, it is now time for change and progress.



trade exhibitions

Upcoming Trade Fairs

The 9th China International Machine Tool & Tools Exhibition

9th October - 13th October 2008

Venue: China International Exhibitions Center (CIEC & New CIEC), Beijing, China

www.cimes.nef.cn

104th Canton Fair

(Phase 1): 15th October 2008 - 19th October 2008

(Phase 2): 24th October 2008 - 28th October 2008

(Phase 3): 2nd November - 6th November 2008

Venue: Guangdong, Pazhou Complex, China

www.cantonfair.org.cn

Franchising & Licensing Asia 2008

16th October 2008 - 18th October 2008

Venue: Suntec Singapore International Convention & Exhibition Centre, Singapore

www.FranchiseLicenseAsia.com

Business Process Outsourcing (BPO)

The Government of Kenya has identified the outsourcing industry as one of the major five sectors to focus on for development in Kenya in its Vision 2030. Kenya has already started to receive a lot of interest from international organisations who want to outsource their back office and call centre functions offshore. As a result, thousands of new jobs will be created as Kenya develops its BPO and Call Centre industry.

Kenya has the unique opportunity to differentiate its contact centre industry by focusing on the quality of its human resources. The Economic Planning Board for Nairobi organised an informative seminar on 28 August 2008 to increase the Jamat's awareness and understanding of what Business Process Outsourcing entails. The seminar focused on benchmarking skills, enhancing training, technology and awareness to meet human resource and quality standards in the outsourcing sector within Kenya. It also enlightened the Jamat on the opportunities, advantages and strategies that are viable to make Kenya a renowned outsourcing destination.

The Economic Planning Board is now in the process of organising an in-depth workshop for those who wish to explore opportunities in this upcoming industry. Interested members of Jamat are requested to contact the EPB office on Tel: 318490 / 0735681105



Mr. Anwar Amershi, Chairman of EPB Kenya addressing the crowd at the BPO Seminar.



Speakers at the BPO seminar from left to right: Joseph Ochola, Gilda Odera and Jack Bismoul (Mauritius).

Message from the Economic Planning Board for Kenya

The primary objective of EPB is to keep the economic status of the Jamat under review and to improve the economic well being of the Jamat. In order to achieve its principal objectives, EPB formulates and implements Counselling sessions for members of the Jamat who may be seeking information in areas pertaining to General Business, Commercial Loans, Housing and Job Placements.

The Business Counselling sessions take place every Wednesday

afternoon at the EPB offices located in Town Jamatkhana.

An Advisory Committee consisting of professionals has also been set up for members of the Jamat who may need advise in specific areas. EPB urges members of the Jamat to take advantage of this facility.

For appointments please contact the EPB offices located in Town Jamatkhana.

FINAL WORDS

"Among mortals second thoughts are wisest." - Euripides

"The art of economics consists in looking not merely at the immediate but at the longer effects of any act or policy; it consists in tracing the consequences of that policy not merely for one group but for all groups." - Henry Hazlitt

"For a long time it had seemed to me that life was about to begin - real life. But there was always some obstacle in the way. Something to be got through first, some unfinished business, time still to be served, a debt to be paid. Then life would begin. At last it dawned on me that these obstacles were my life." - Fr. Alfred D'Souza

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Editorial Board Note

While every effort is made to ensure the accuracy of the contents of this newsletter, the Economic Planning Board cannot accept any responsibility or liability for the information, opinions or statements contained in it.



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Indulge yourself



Using only the best and finest quality ingredients, **Ooh! Ice Cream** is known for its rich and indulgent flavours and the company prides itself in being the trend setter in the industry by developing flavours and inclusions that stand out against any competition.



For the more daring and adventurous ice cream consumer, we have now introduced a super premium range of Dairy Ice Creams under the "**Ooh! Divine**" range – a very rich and creamy ice cream variety made with fresh dairy cream, simply Oohlicious!!



As an extension of the Ooh! Brand, the company also manufactures a range of drinking yoghurts under the "**Ooh! lala**" brand, containing real fruit paste and pieces and we will soon be introducing a range of **Premium stirred real fruit yoghurts** with some exciting flavour combinations.

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