

New constitution yields exciting opportunities

Kenya and China links are stronger than ever as Vision 2030 goals are tackled

A bright new dawn has risen over Kenya's majestic landscape as the country celebrates the birth of a new constitution that reinforces its reputation as a modern and forward-thinking nation and the gateway to East Africa.

The August 27 signing of the new constitution by President Mwai Kibaki followed a referendum in which two thirds of voters supported plans for a comprehensive overhaul of the republic's legislative and judicial procedures.

At the same time, the confident country of 39 million people sent a powerful message to foreign governments, international investors and trade partners, such as the People's Republic of China, that it is determined to achieve its many socioeconomic development goals.

With the ambition to become the region's trade, finance and investment hub, Kenya is making steady progress towards the economic, social and political aims set out in its Vision 2030 strategic plan.

"This moment marks the decisive conclusion of the 20-year journey in search of a new constitutional order," President Kibaki announced during the ceremony to mark the start of a new chapter in the republic's history.

"This new constitution is an embodiment of our best hopes, aspirations, ideals and values for

a peaceful and more prosperous nation. This constitution will fundamentally transform our nation politically, economically and socially."



This constitution will fundamentally transform our nation politically, economically and socially."

MWAI KIBAKI
PRESIDENT OF KENYA

As the region's economic powerhouse, Kenya boasts a strong and diverse economy that benefits from excellent natural and human resources, modern infrastructure, and advanced ICT networks.

Historically an important trade route between Africa and Asia due to its strategic location, Kenya is now a stepping-stone to the greater region following the formation of the East African Community (EAC) common market.

This key trade agreement with neighbors Uganda, Tanzania, Rwanda and Burundi gives companies from Kenya preferable market access to around 85 million people in the vast region.

"The common market will avail greater opportunities for trade in goods and services as we are now five countries with a combined GDP of \$75 billion," President Kibaki said.

"This is a great region with vast potential for business and social networking for people. The common market will also provide opportunities for greater capital mobilization to boost investment in the region."

Flourishing trade link

Trade between Kenya and China has flourished and now stands at about \$500 million per annum. The pair have signed agreements and Memorandums of Understanding (MOUs) in various fields, including technical and cultural cooperation, education, health, energy, agriculture and cooperative development.

China was among the first countries to congratulate the republic on its new constitution, with Chen Zhili, Vice Chairwoman of the Standing Committee of the National People's Congress (NPC), congratulating President Kibaki during her visit to Nairobi in early September.

In response, President Kibaki hailed the cordial bilateral political and trade relations and expressed gratitude to China for "the immense contribution to Kenya's infrastruc-

tural development over the years" that now totals over \$450 million.

Earlier this year, the Governor of China Development Bank, Jiang Chaoliang, visited the Kenyan capital and held high-level talks with President Kibaki over a diverse range of potential projects in the housing, transport and energy sectors.

That May 17 visit came just two weeks after President Kibaki attended the World Expo 2010 in Shanghai where Kenya showcased its vast range of resources and investment opportunities to millions of visitors from China, Asia and beyond.

He also took the opportunity to highlight several energy projects that his administration wants to develop in partnership with foreign partners such as China. Officials have identified the High Grand Falls and a range of coal-powered electricity generation developments as potential build-operate-transfer (BOT) projects.

Upon his return from the five-day visit to Shanghai and Beijing,

the business-friendly head of state talked of positive bilateral talks with Chinese President Hu Jintao and additional Chinese funding towards development projects in Kenya.

The two presidents also confirmed their commitment to the construction of Lamu port in northern Kenya, which local officials believe will open up the surrounding area to huge sums of FDI.

The massive port project will act as a modern shipping base and boast a free trade zone, international airport, extensive rail network connecting Kenya to other countries, and major oil pipeline from southern Sudan.

China, which established diplomatic ties with Kenya in 1963, has already pledged its full support to the Lamu port development plan and, given the excellent bond between the two countries, China's public and private sectors are expected to play key roles in its construction and financing.


Meanwhile, Kenya's retail sec-

tor is growing rapidly as rising employment rates and income levels provide growing numbers of households with more disposable income.

Established 26 years ago, Hotpoint Appliances Ltd is one of Kenya's top importers and distributors of electrical goods and ideally positioned to take advantage of the region's new common market.

With a presence in Rwanda and Tanzania, the company is growing at a rapid rate. To meet the rising demand, the Nairobi-based firm recently launched its own line of products that are being manufactured in China.

"We have an elaborate set-up with a service center, warehousing and logistics support to strengthen sales volumes," said Hotpoint managing director and joint founder, Shailesh Kanani. "We believe in setting global standards, have attained ISO certification and won many awards for our exemplary service and marketing."



A world-class import and distribution company!

Hotpoint Appliances is one of East Africa's leading importers and distributors of industrial and consumer electronics, home appliances and accessories, representing household names like LG, Ariston and Westpoint, among others, in Kenya, Tanzania and Rwanda. In business since 1984, the company has established a wide and powerful distribution network within the region, with unparalleled customer service.

Look to the future with Hotpoint Appliances!

Hotpoint Appliances Limited
Sarit Centre, Westlands, P.O. Box 402 Nairobi-00606, Kenya
Tel: +254 20 369 9000 • Fax: +254 20 263 5450 • www.hotpoint.co.ke

Award-winning Equity Bank unlocks SME growth

Loan with China Development Bank will give local entrepreneurs a major boost

Small and medium enterprise (SME) operators in Kenya are expected to witness accelerated growth in their businesses after Kenya's Equity Bank and the China Development Bank (CDB) signed a \$50 million loan agreement in Nairobi in support of the sector, which has been constrained by the lack of finance from financial institutions.

Equity Bank, Kenya's largest bank by customer base — home to more than 56 percent of bank accounts in Kenya and with more than 165 branches — has a strong foothold in the lower income segment of society.

Its unique business model that allows clients to transform their lives and livelihoods has won it several local and international accolades, including:

- The Microfinance Bank of the Year in Africa (2008-09) - for assisting local communities and aspiring entrepreneurs to raise finance, ultimately contributing to their growth and development.

- Africa Investor Series Awards 2009 (New York) — Top in the Ai 100 company category (2008-09) as the best performing company in Africa.

- Africa Business Of the Year Award 2009 - Equity Bank's business model cited by world business leaders as a case study for sustainability in financial services.

Many changes in the banking sector in Kenya have been accredited to Equity Bank due to its approach to businesses that has literally forced large operators in banking in Kenya to try and follow suit.

Because of the informal nature

of operators of SME businesses, access to credit facilities is a big challenge and therefore many rely on their savings for expansion of their businesses.

Lack of access to affordable credit is recognized as one of the key setbacks facing the development of the SME sector in Kenya. It is expected that the funds will provide a source of cheap loans for the sector that faces an insatiable thirst for access to credit and growth.

The loan facility signed with China Development Bank will be available to SME borrowers at interest rates of between 7 percent and 9 percent for periods ranging from three to seven years.

This effectively makes it the cheapest source of funding for the sector in Kenya.

First to get Chinese help

Equity Bank is the first beneficiary of the Chinese \$50 million earmarked for the development of SMEs in Africa. It took three years for the two institutions to reach the SME loans agreement. The signing ceremony took place at Equity Bank's head office in Nairobi and was witnessed by CDB officials.

Equity Bank's Chief Executive Officer and Managing Director James Mwangi, who was named by London's Financial Times as one of the top world business leaders from 50 BRIC countries, said:

"We are proud as a bank and as Kenyans to be the first beneficiary of this support. This facility will allow us to grant our SME customers long-term facilities for development at affordable interest rates. The SME sector in Kenya faced the challenge of the high cost of credit, high bank charges and fees, limiting their potential to contribute to the country's Vision 2030, Kenya's economic blueprint."

CDB has been studying Equity Bank with a view to learning the much-acclaimed Equity Bank model of banking for possible lessons to be applied in China and sees the development of private SMEs as a key tool to generate and secure employment, fuel economic growth and stabilize society.

Governor of the CDB Jiang Chaoliang said the agreement was a sign of the south-to-south cooperation and collaboration to address the common challenges between the two institutions and countries.

"It is significant that Kenya and Equity Bank are the first beneficiaries of this SME fund for Africa. It reflects the growing relationship between Kenya and China," he said.

Multibillion estate project

Equity Bank has issued a credit facility worth \$28.6 million to Thika Greens Ltd (TGL) for the construction of a golf estate in Kenya.

Metallurgical Construction



We are proud, as a bank and as Kenyans, to be the first beneficiary of this support by China Development Bank. This facility will allow us to grant our small and medium enterprise customers long-term facilities for development at very affordable interest rates."

DR. JAMES MWANGI
CEO AND MD OF EQUITY BANK

Company of China is undertaking the construction project. TGL is owned by a group of 50 Kenyan investors, most of them in the real estate business.

The golf estate will be located in Thika town, 43 km east of Kenya's capital Nairobi. Construction is taking place on 1,135 acres of land and will incorporate a residential community with all associated facilities to support a viable suburb.

The project consists of two estates: Waterfalls Country Homes and Thika Greens Golf Estate.

Thika Greens Golf Estate will be a lifestyle estate built around an 18-hole championship golf course similar to the high-end estates found in Australia, South Africa and the US.

The project is expected to cost a staggering \$650 million upon the completion of the construction of the houses and infrastructure on site.

In an interview with Kenya's weekly publication The Financial Post, TGL's Managing Director

Charles Kibiru said the entire golf estate will have 4,000 housing units per milestone, considering that Kenya has a housing unit shortage of fifteen times that figure.

"Our vision is to replicate the project by setting up more golf estates in other major cities in Kenya like Mombasa, Kisumu, Nakuru and Machakos," he said.

Second phase launched

In its second phase which the MD said is due for launch this month, TGL has contracted DDV Design Group of South Africa, an architect firm which has designed a private member's club house overlooking an 18-hole championship golf course and a golf estate where 810 plots will be sold to the public.

"The Chinese Construction Company, MCC4, which we have contracted to undertake the construction will commence operations in July as we gear up to complete the project in two years' time," he said.



Dr. James Mwangi, CEO of Equity Bank and China Development Bank officials sign an historic loan agreement.

EQUITY BANK FACT FILE

- Listed at Nairobi Stock Exchange and Uganda Securities Exchange
- Largest bank in eastern and central Africa with over five million customers
- Market Capitalization of \$1.2 billion
- Third biggest company on the Nairobi Stock Exchange
- Total Asset Base: \$1.6 billion

Email: info@equitybank.co.ke
Website: www.equitybank.co.ke

