

techpreneurs

BUSINESS DAILY **SPECIAL REPORT** | FRIDAY APRIL 25 2008



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Our stars unveiled



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THE LOW DOWN

KUI KINYANJUI



Who is making it in the tech biz?

There's a much forwarded picture that does the rounds on email. It depicts a group of T-shirt wearing young men grinning at the camera through seventies length hair and an abundant growth of beard, who look like they have just emerged from a highly psychedelic party on campus.

The caption reads: "Microsoft 1979. Would you have invested?"

Back then, many said no. As the largest Initial Public Offering (IPO) in the region came to a close this week, the answer most investors in the just concluded Safaricom offer would give would be a resounding yes.

With the Information, Communications and Technology (ICT) sector taking up more investor interest both locally and internationally, it could be said that a renaissance of awareness in the sector is taking place.

The winners in this new shift in economic fortunes are the entrepreneurs of the future - the techpreneur - an intrepid investor who is not afraid to take the leap into uncharted waters.

These new investors play on a global playing field, facing challenges on a world-wide scale.

To win, they are harnessing new technologies and riding the wave of renewed interest and investment in the budding field.

For inspiration, do not look far.

Many lessons emerge from the darling of Kenyan companies - Safaricom.

The IPO revealed to many the inner workings of the country's richest company, uncovering in the process the Safaricom dealer - a quiet cog in the wheel that drives the company - who can comfortably claim to rake in a cool Sh12 million on a daily basis. And that's a bad day.

The company's latest product offering, Mpesa, is already being called the disruptive technology of the year, and possibly, decade.

With three billion mobile phone owners in the world, this technology brewed in our backyard could create the biggest revolution in the financial industry.

If this was the year 2000, the question would be - would you have invested in Safaricom?

For those in the know now, the Kenyan techpreneur, never before have the stars aligned themselves in such perfect formation to create a fertile investment field.

Financing, often the first barrier for any entrepreneur starting a business, is now easier to come by as banks now recognize the ICT sector as a key part of the country's economic growth.

The government continues to pledge more financing for the sector and has pegged it as a central part of 2030 vision.

Kenyan consumers have already demonstrated their enthusiasm for the new fields by embracing the mobile phone and other technologies.

Billions are now being spent laying the foundations for Kenya's new economy, the fibre optic network, which will reduce calling and internet costs by half in just over a year.

For the techpreneur, it would appear the time is now.

Speaking at the just concluded second annual African Information and Communication Technologies (ICT) Best Practices Forum, Microsoft CEO Steve Ballmer termed the coming years in the industry as Africa's time - a nod to the growing influence the once dark continent is now having on the global investment scene.

"The next wave of computing will drive the transition from economies that are based on natural resources to economies that create value through innovation. I'm here because I'm excited by Africa's incredible potential and its undeniable progress," Mr Ballmer told a gathering of African ministers in Burkina Faso earlier this week.

tech HOT SPOTS

An inside loop on the hottest business ideas catching fire in our tech world

RETAIL

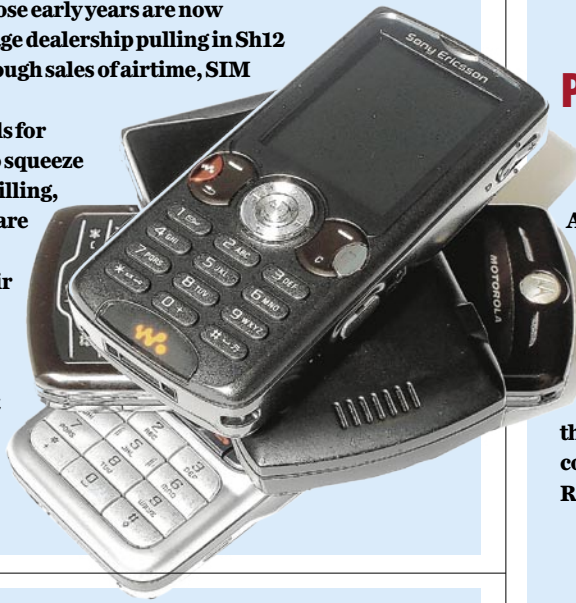
Telecoms Dealer

Becoming a dealership for a player in the telephony and internet fields is set to become a hot opportunity as new companies with great financial promise start operations locally.

The last time an opportunity like this arose was when Safaricom and Celtel were setting up their companies in 2000. Savvy entrepreneurs who got into the game in those early years are now billionaires, with the average dealership pulling in Sh12 million on a daily basis through sales of airtime, SIM cards and services.

A high stakes game that calls for investors who know how to squeeze opportunity out of every shilling, dealerships opportunities are now open for Telkom and Econet, as both roll out their mobile services in coming months.

Requires: Aggressive sales staff, high investment capital.



NEW MEDIA

Television Innovator

Another area where locally generated content is set to be in high demand is the broadcast arena, which is currently undergoing its most dramatic change as it switches to a digital format in the next few years. The new format will mean television stations will have more airtime to fill, and new stipulations that the content be locally produced.

The Kenya Film Commission and larger players have already starting a hunt for locally produced programming, meaning occasion arises for more investment in short films, documentaries and other programming.

Requires: Savvy knowledge of television programming, film equipment.



According to local analysts, the ICT field will draw more investment in the coming year, and while many opportunities will be in new areas, several more are simply upgrades of existing business opportunities already in the market. "Entrepreneurs who are attempting to solve market problems that can be met with software technology, or by

amalgamating different components of ICT including software, communications and professional services will attract investment," said industry analyst Kamande Muiruri. Driving the surge in investment is the availability of new technologies at cheaper prices, improved access to lower pricing for internet and telephony needs, and the increasing integration of

technology services in society.

Entrepreneurs in the field can expect a shift from providing hardware and investing in capital intensive infrastructure to more software and services prospects which either build on existing technologies or break new ground in new areas. Following a few of the new and emerging investment areas for today's techpreneur, listed



POWER

Alternative Energy Supplier

Although it is not really a new investment area, providing alternative energy solutions is set to go through a new growth period as more home owners and companies grapple with rising energy costs.

Already more manufacturers are looking for cheaper solar solutions to power their processes, and international firms are starting to eye the country as an ideal sales base for the region as greater need for wind, solar and alternative power sets in. Running a dealership for those groups will expose investors to a continuous source energy hungry consumers, ranging from large scale enterprises to the home consumer.

Requires: Association with manufacturers, sales team.



BUSINESS PROCEESS OUTSOURCING

Outsourcing Specialist

Touted as the big draw for investors in the ICT field in the next five to ten years, outsourcing is set to become the most favoured investment for Kenyans. The Government has identified the outsourcing Industry as one of five major sectors to focus on for development and economic growth in Kenya in its economic Vision 2030, and hopes to rake in over US\$200 million by 2013 from the budding industry. Outsourcing is best defined as the transfer of responsibility for some business processes to an outside company.

The trend is most popular in western firms, who have come to rely on India as their outsourcing capital.

Those companies outsource various processes - ranging from call centres, data processing, finance, and transaction processing - to firms outside their country to control costs for the company. The BPO industry is said to be worth US\$24 billion worldwide and is a field currently dominated and perfected by India. Kenya is racing to beat African competitors such as Nigeria, Ghana, Egypt and South Africa, who are re-packaging their economic focus to gain a share of the service industry. More Kenyan companies as well as international firms shall be targeted in the coming outsourcing wave.

Hopes on the success of the industry hinge on the coming fibre optic cables that will lower telecommunication costs - as well as a set of new incentives

RECYCLING

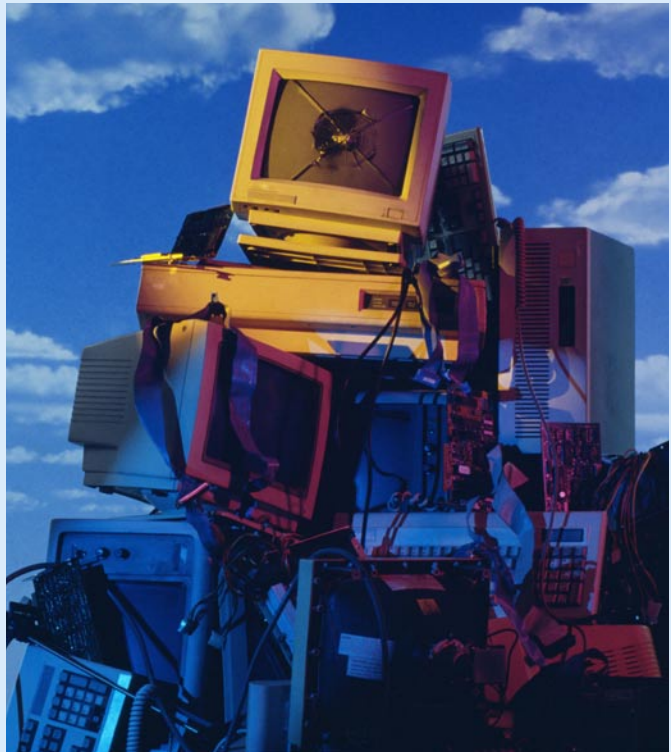
E-Waste Capitalist

Electronic waste is becoming a global issue that is rapidly gaining the attentions of established companies as users around the world purchase equipment and struggle to dispose of it safely.

E-waste is becoming a greater concern to manufacturers as it contains traces of the toxins cadmium, mercury and lead, which can contaminate water supplies, wreak havoc on once fertile lands and contain carcinogenic elements. The UN says much of the e-waste can end up in garbage dumps where the goods rot and slowly seep dangerous elements such as lead, cadmium, mercury and other deadly compounds into the environment. As countries in the emerging world are drawn into the global debate, two opportunities could arise for savvy entrepreneurs - helping electronics firms get rid of their waste or refurbishing or re-cycling the waste for sale at discounted rates.

Locally, firms such as Nokia and Microsoft have already invested in their own programs to help Kenyan electronic consumers get rid of their waste, but opportunities exist for firms that will streamline the process for large firms. And as in coming years many Kenyans will trade in their current analog television sets for digitally equipped sets as the country makes the shift to digital broadcasting, demand for companies that can aid in safe disposal will become a priority. Additionally - as more Kenyans dispose of electronic goods, the opportunity to become a second hand sales person will arise as people attempt to get value for their old equipment.

Requires: Affiliation to manufacturers, recognized recycling facility.



ASSEMBLER

Local PC Manufacturer

Many analysts note that Kenyan consumers have shied away from the technology wave because the cost of equipment is too prohibitive. To counter this and draw investment by private entrepreneurs in the manufacturing field, the government has drastically dropped taxes on parts and it is possible to get incentives should one start a computer manufacturing business.

Among the more traditional ICT businesses, investors can expect to assemble locally made computers for less than Sh10,000, and sell them at profit to firms and businesses who are weary of expensive imported models.

An added incentive would be to cash in on the coming increase in demand for computers following the launch of digital villages as well as the digitalization of schools, government offices and private enterprise, which is expected to peak in the next three years. Requires: Highly technical staff, Identifying new markets for finished goods.



NEW MEDIA

Premium Content Provider

A new licensing regime coupled with the emergence of more sophisticated phone services will mean entrepreneurs can take advantage of the rise in mobile telephony by providing content.

As 3G services are rolled out across the country, demand for more local content is set to rise among consumers who want to use their phones for more than just simple calling or SMS. Selling so-called premium services such as ring tones, pictures, music or video and games is one area where investment opportunity is set to rise in the next few months.

Requires: Technical staff, relationship with telephony providers.



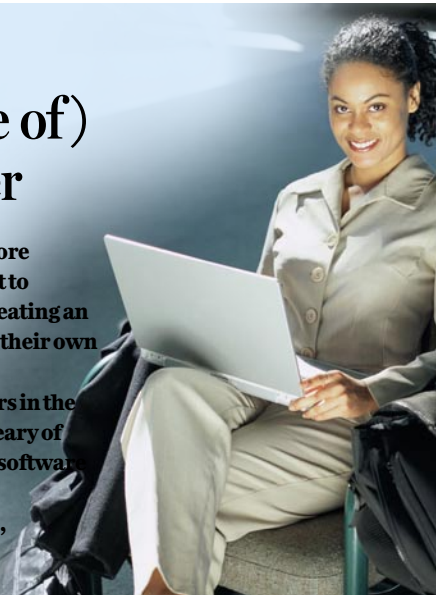
SOFTWARE

Linux (or any type of) software developer

A new trend is emerging that will see more businesses and government offices start to invest in specialized software needs, creating an opening for local developers to develop their own solutions for monetary gain.

Demand is especially high for developers in the open source arena, as more firms get weary of paying handsome fees to international software firms.

Requires: knowledge of industry needs, developer skills.



Techpreneurs: Kenya's new breed of techies

He is sharp, suave and is creating waves in the market.

KUI KINYANJUI unveils this new breed of entrepreneur

Jon Bosire unapologetically parks his sleek, extended BMW 715i in his parking slot, artfully dodging the piles of refuse common to this part of Industrial Area — a seedy area better known for being home to the warehouses that fuel large business.

Entering a warehouse with peeling paint doors, Mr Bosire strides past a stunning receptionist into an office that contrasts vastly with the surroundings; a room adorned with teak wooden flooring, an imported bear rug and hand-crafted furniture shipped piece by piece from Turkey.

Mr Bosire makes his living from his laptop, servicing companies across the land and producing new solutions to old problems from the comfort of his hand-crafted wooden desk.

Meet the new Kenyan entrepreneur: the techpreneur, version 2.0.

In more than just clothing choice, this new technological wonder cuts a different image to the nerdy, t-shirt and khaki-wearing image of a techpreneur of the late nineties.

Working from offices located in the more undesirable parts of town— warehouses, go-downs and old buildings long vacated by more established businesses, these intrepid capitalists are quietly running small business empires that are slowly becoming more lucrative as they become more mainstream.

Specialisation is the key for these entrepreneurs.

Most have carved small niches for themselves in select businesses — providing solutions that are more specialised but are also increasingly becoming a part of everyday business and life.

“There are so many investment possibilities with technology today that picking on real meaningful needs by customers and by the society at large is becoming increasingly difficult,” said Kamande Muiruri, an industry analyst.

For the local technology industry, it could be considered a time of renaissance for the smaller entrepreneur — a time when the right factors come together to create an attractive business environment.

High aspirations have been placed in the field as an investment hot-spot.

The Business Process Outsourcing (BPO) sector is expected to become a key pillar of economic growth in Vision 2030, and incentives are now being extended to business people who want to eke a living out of ICT related businesses.

“Our government is committed to drawing investment in this area — it is the main reason why we insist upon building infrastructure that will facilitate that goal,” said Bitange Ndemo, PS Ministry of Information.

Towards that end, billions are being spent to connect Kenya to the international fibre optic

network as well as internally link towns in the country. Fibre connectivity is expected to drive costs of telephony and internet down by up to five times, and enhance communication so investors do not necessarily have to rely on urban locations to transact business and can now do more with investment funds.

“With increased bandwidth comes the increased need for home computing which has developed a whole sector around home PCs. On the corporate side applications are driven by the need to be online which calls for web applications. On the government side the hottest thing right now is the digital villages project which will mean a business can take off anywhere,” said Henry Njoroge.

Both Mr Muiruri and Mr Njoroge should know, having observed the changing fortunes within the ICT industry as front seat innovators for the last decade.

Both were instrumental in setting up and were front-runners in the first wave of technology investments in the country, setting up Africa Online and UUNET respectively.

In line with shifting trends in investment, the two have since diversified and gone into what they refer to as a “niche” industry that is set to take off, outsourcing; with Mr Muiruri heading Digital Networks while Mr Njoroge heads Outsource IT, a division of recently listed Access Kenya.

According to Mr Njoroge, five years ago, investors in the field were mostly hardware and networking providers who were cashing in on companies and ministries adopting technology



Digital Networks managing director Kamande Muiruri. FREDRICK ONYANGO

to ease business processes.

Today, software such as enterprise resource management tools, middleware and web technologies as well as the internet form the new investment hot-spots.

“Most of new business ideas produced in the area of ICT are too niche to be attractive to customers who are seeking wholesome solutions to their needs that can be fulfilled by technology,” said Mr Muiruri.

To blame is the changing nature of technology.

According to industry researchers, the NPD Group, 2008 will be the year of transition for investors in the global technology market.

NPD says topping the list of key issues in the industry is the impending analog television shut-off, the drive toward cheaper connectivity, and the growing penetration of broadband Internet access in homes and offices.

Many of those international issues are realities that Kenya is already grappling with.

The changes will drive more niche players to develop applications and services that take advantage of changing fortunes in the industry.

And with the advent of the internet, a new type of investor has been created in the field, as techpreneurs are now able to monitor trends abroad and introduce them locally.

“Mobile communications, satellite TV and cheap international travel is spurring entrepreneurs to explore new technologies that are working elsewhere locally. They find sources not only from the US but also from Dubai, China and India — getting information that only a select elite could get a hold of five or ten years ago,” said Mr Muiruri.

For investors like Mr Bosire, access to that information is what drew him from a paying job into the enticing world of tech start-ups.

His company, which supplies a highly specialised software solutions to the insurance industry, is a business concept he lifted from existing examples when he came across several internet websites that alerted him to the trend.

Started with angel funds sourced from family and friends, the business now needs financing from more formal sources as it grows to include Mr Bosire's plans for another solution targeting the health sector.

Slapping a pair of sunglasses, Mr Bosire leaves his small staff of two developers working hard on the new concept, which will cut costs and streamline billing information for hospitals.

Like the sun that breaks and shines on his BMW, the future looks bright for this young

How Nesbitt's dream of call centre came true

Working in the US, he was inspired to bring something he saw in the States back home, reports **OKUTTAH MARK**

Crossing a desert is not an easy task and does not need those with faint hearts and without focus - so is starting a business,” says Mr Nick Nesbitt, the KenCall chief executive.

When Mr Nesbitt talks about breaking into a new field, he uses words like sacrifice, vision and dream – the typical catch-words of an entrepreneur. It is the world of taking risks.

In 2001 it happened, having toyed with a dream for close to 10 years. He knew to make it a reality he had to make sacrifices, one of them being to relocate from US, where he had lived for 20 years and come back to Kenya.

The sacrifice: to quit a well-paying job as vice-president of Qwest communication company, where he was in charge of a \$1 billion division and 400 employees.

“I had to do it. The feeling was strong and the time was ripe for me to venture into the business” says Mr Nesbitt. But this was just the beginning of a three-year journey full of challenges.

While working in the US, he was inspired to bring something he saw in the States back home. The problem was, he actually did not know what the ‘something’ was.

It was not until he became Qwest vice

The first year was tough, it was expensive, we had to educate the staff and lost some even after training them

president that the right idea hit him. From his position, he watched the emergence of India as a business process outsourcing (BPO) and call centre destination. He asked himself, “Why can't Kenya make it in this field with all the potential it has?”

The former St Mary's student argued the country had good education, a polished English accent, and a suitable geographical environment, all that favour a BPO.

Out of the vision and the global knowledge, KenCall was born to become the first BPO and call centre in the country.

“It hit me that the most meaningful thing I could do is to create employment opportunities to Kenya by enabling them to work for British and American companies while in Kenya through the BPO” said Mr Nesbitt.

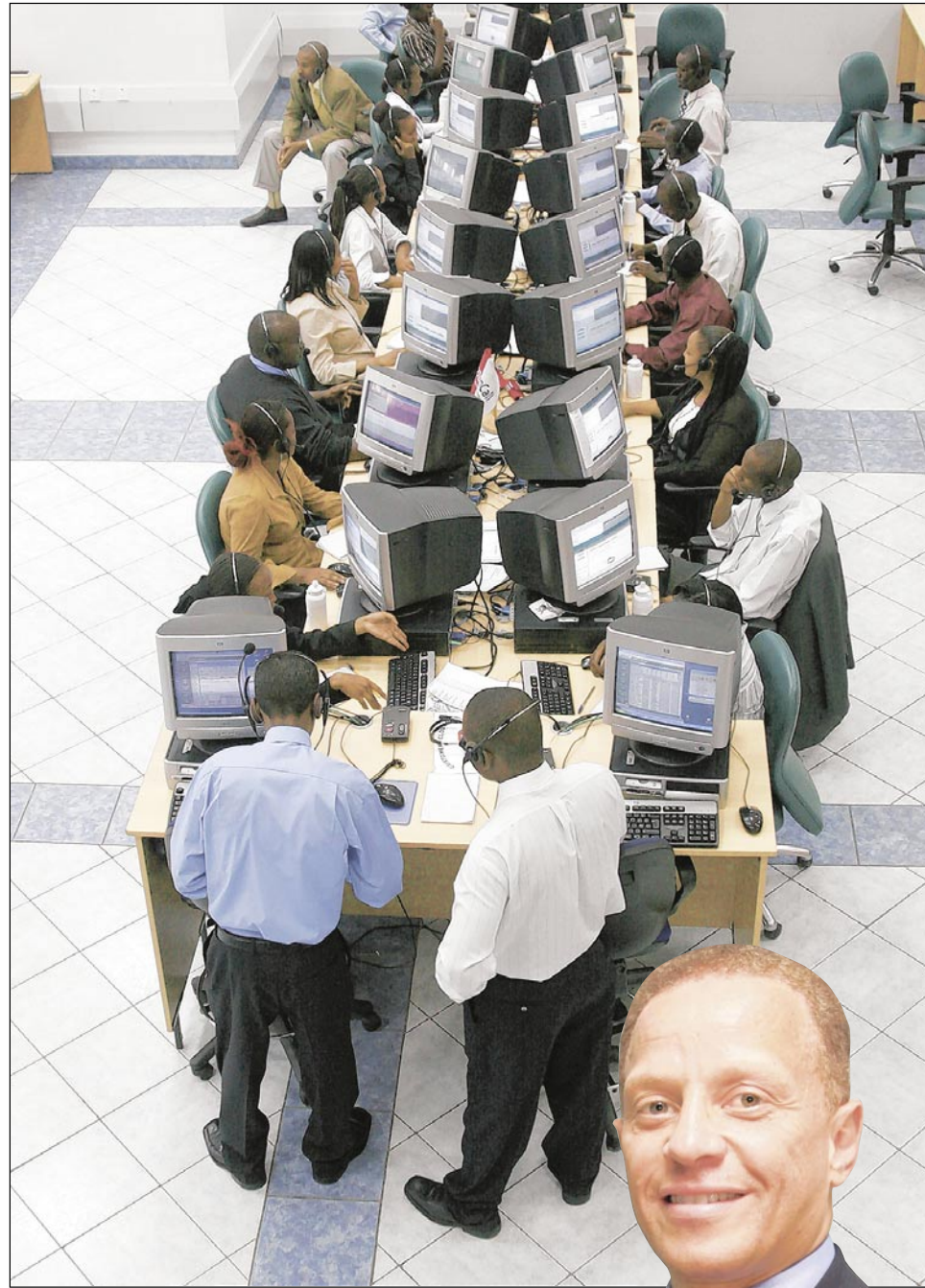
Other than offering employment, he says the BPO would enable Kenyans to upgrade skills and be wired into the global competition.

Additionally, working for some of the US blue chip companies had exposed him to some great minds in the business circles, contacts which have since become handy.

He returned home and embarked on levelling the field to roll out his plan. “I knew nothing much about the business and had to learn a lot from the Internet,” he said.

He climbed to the second tier, that of raising capital. He did this through his family members, friends and the help of NIC Bank, a move dovetailing with what entrepreneurship gurus teach in class on start-up capital.

Being a new area in the country, Mr Nesbitt had to hire what he considered the right staff and



A KenCall call centre in Nairobi. Mr Nick Nesbitt of KenCall (right) says he took a risk when he started the business three years ago. LIZ MUTHONI AND FILE

trained them.

This made him make a lot of adjustments in his lifestyle, for example, working the long and odd hours. He sometimes spent more than 30 hours in the office, sleeping under his desk, but kept the swot programme to himself, cutting his new staff from the rough edges of the start-up.

“The first year was tough, it was expensive, we had to educate the staff and lost some even after training them. We lost money and clients also just disappeared.”

He adds: “At that point, I believed this thing was not going to fail, at some point I became completely broke after spending all that I had come with from the States, but I still had the vision and focus.”

During those initial years, he played a see-saw plan, expanding and shrinking the size at will depending on the available activities. It worked.

Three years down the line, the pressure has eased, the company is profitable and employs 600 people.

KenCall should double its size in the next one year, the entrepreneur says, adding, “The sky is the limit.”

Kenyans should be ready to buy the shares of the company in the next two years through the initial public offering (IPO), Mr Nesbitt says, perhaps in another dream.

He attributes his success to a number of things. His background, strong personal belief and contacts, make the three pillars of his dream.

Business opportunities galore, but unfortunately, people see more clearly the obstacles rather than the ways of turning them into success.

“From my early years, I learnt from my parents that having a negative mind towards life will always draw one back and the results will always be negative” he says.

Determination and teamwork

A football and rugby captain in his secondary school days, Mr Nesbitt borrowed the virtues he so cherished as a sportsman. That it is only through determination, team work and providing good leadership that one can make a winning team by dodging the opponent (obstacles).

He says some entrepreneurs fail not that the decision they make is wrong or that they can not make it in business but simply they lack commitment and dedication.

As if reading from the minds of many youths going into business, he says it is wrong to hang on in a venture only to pass time while looking for a chance to work in another company.

As a risk taker, he says the entrepreneurial spirit in man is stifled by the fear of losing the comfort of a well-paying job. Many fear rolling up their sleeves and dirtying their hands.

He offers tips to would-be entrepreneurs, that most times employees think about their salaries and not necessarily the process that the company has put in place to achieve targets.

It is only a matter of time, he dreams again, before the budding BPO industry in Kenya grows bigger than horticulture, and brings a lot of foreign direct investments. If only one BPO company can manage to have 40,000 employees, it can generate \$ 1 billion for Kenya through direct investments, he estimates.

For his company, he sees it employing 10,000 people in five countries by doing more advanced BPO and tying up with joint venture capitalists from India and South Africa.

Last year, the company got a venture capitalist, Blue Link Mirror Fund from Netherlands, which enabled it to pump more money, experience, governance and got it more contacts from Europe. The deal has also given KenCall a global credibility.

For budding entrepreneurs he says, they must have patience, to go for the long term and clear vision on what they want to create and cash.

“Starting a business with little cash

» APPLICATIONS

Transforming car parks into cash cows

Tech start-up has helped building owners and malls think beyond brick and motor into the digital age, reports **MARK OKUTTAH**

In 1999, Eric Mwandia had a vision to provide building owners with a solution that would enable them turn their non-core activities into income generating areas.

Under his plan, building owners would be able to manage their parking spaces using an automated billing solution that they could own, under a build, own and transfer (BOT) model.

Mr Mwandia started KAPs Limited with his friend Galo Anzeze as a small outfit comprising of two other employees.

Today, they employ 150 employees across the country and have entered the league of medium sized companies.

"I was not just looking at efficiency by providing solutions that will aid in managing these facilities but also wanted to do it professionally and make the organisations realise that they could generate some income from these facilities," said Mr Mwandia.

However, at first he had to pass through several hurdles — with the biggest being how to get a software solution that would enable his company offer the services according to his plans.

Achieving the desired results with imported solutions proved futile. "I partnered with a South Africa technology firm but their product was not cost effective which made me look for a local solution," said Mr Mwandia.

Local Solution

With a team drawn from the local universities, Mwandia took two years to develop an IT solution that proved successful. The process gave him exposure to the local human capacity being developed at universities, particularly



Above: KAPs operations at the Nakumat Lifestyle in Nairobi's CBD. Inset: Eric Mwandia, director KAPS parking management and control. FREDRICK ONYANGO/LIZ MUTHONI

"It takes some time before one starts to actually realise profits and eventually break even," he says. He adds that, investors in the field should not expect to earn any profits in the first year as they must take time to convince clients that the facility will actually add value to their bottomline.

Mr Mwandia believes that, by the end of the contract period usually five years, the investor should net 60 per cent of the collection while the client takes the rest.

Upon the expiry of the agreed period, the machines are transferred to the client.

Mr Mwandia said his company now offers services using a partnership model. KAPs provides software then trains and pays the parking

management staff for an agreed period of time.

The business model is currently operational at the Jomo Kenyatta International Airport, Sarit Centre, Yaya Centre, Mombasa Municipal Council, Westgate Shopping Complex, National Social Security Fund Car park, Hotel Intercontinental, City Council of Nairobi, Gertrude's Children Hospital, and CFC Bank.

Mwandia notes that the Government should consider promoting the upcoming IT entrepreneurs by providing them with tax breaks.

For example he says, the State can exempt small scale entrepreneurs from paying taxes for a period of say one year before bringing them

PROFILE

Start-up capitalises on budding gaming industry

BY BEATRICE GACHENGE

Value addition is a mere buzz word to many. To Symon Ndirangu, chief executive officer Information Convergence Technologies, it is the opportunity to capitalize on the fastest growing commodity in the African market: the mobile phone.

"We have diversified our products in order to add value to our clients," said Mr Ndirangu. His company offers real time data vending services through mobile phones.

While arguing that many people were unaware of data vending services at the onset of the financial services, he said that approximately 10,000 people utilise the services.

However, Mr Ndirangu projects that with the developments in the ICT sector as well as the Capital Markets, that number will increase ten fold



very soon. The need for investment information and the aggressive marketing of bank loans has inspired Mr Ndirangu to launch yet another mobile product.

For a subscription fee of Sh10,000, users will obtain three business ideas of which they can develop to money making outfits. But other than financial services, his four year old company is also involved in infotainment, where subscribers are able obtain information coupled with entertainment. One of the concepts is advergaming, which allows companies to insert their brands and adverts into mobile phones. "It is a new way to engage and entertain the modern customer while building a company's most precious intangible asset — their brand," said Mr Ndirangu.

Marketers who have expressed interest in the product are more inclined to the football games as well as wrestling which captivates a majority of their target group who fall in the age bracket, 20 to 35 years. The concept works through short message services, SMS games, which are

mini video games, made for playing on a small mobile phone screen and can be purchased and downloaded via SMS technology. However only GPRS enabled phones can access the video games, replicating initiatives already existing in Asia and Europe. Locally the concept will be rolled out in June this year. Mr Ndirangu is also one of the main players and pioneers behind e-exam results. Since last year, students are able to obtain either their Kenya Certificate of Primary Education (KCPE) or the Kenya Certificate of Secondary Education (KCSE) via SMS. During the last results period, traffic on the service soared to about one million SMSs a day.

The man who describes himself as single minded yet simple, helps companies outsource sending of bulk SMSs. The bulk SMS enterprise solution allows an organisation send hundreds, thousands or even millions of SMS messages at one time

» VENTURE CAPITAL

Investors loosen grip on financing of once risky tech ventures in Kenya

BY JAMES MAKAU

Cash can be hard to come by for techpreneurs. And in a country such as Kenya where Information Communication and Technology (ICT) start-ups have been slow to gain acceptance, financing these ventures has for many players been a difficult affair with few financiers willing to take the plunge into the wiry and webby world of information technology.

"It is not very easy for technology start-ups to access capital. The financial services sector is yet to fully appreciate how the ICT sector works," says Brian Longwe, a partner in Chanzo Capital, a firm that provides seed and startup capital for various forms of businesses.

Mr Longwe who has vast experience in the ICT sector says that financiers are reluctant to fund ICT start-ups due to the limited understanding of how many of these outfits work.

The difficulty in assessing the viability of a technology startup, its growth prospects and the calibre of management in ICT firms has been a major hindrance for financiers.

Moreover, the challenges of valuing ICT companies compound the problems of financing with conventional valuation methods

used in assessing firms in other sectors, falling short for ICT firms. Valuation is a general term describing how much a business is worth to an investor.

"The main asset for ICT firms is intellectual property. This being an intangible asset, it becomes difficult to get favourable valuations that allow IT firms to access financing," says Mr. Longwe.

While the physical hardware components in ICT might be fairly straightforward to value, the main drivers that carry out all the functions — software components — are not as easy with different views emerging between the values of an ICT start-up.

Investors are usually interested in determining a valuation that is comparable to other company fundings in the marketplace. Their underlying aim being, to negotiate the most favourable ownership percentage for the investment capital they intend place at risk in the venture. The ideal scenario is that both parties leave the negotiation believing that the deal is fair, although they would have both liked to have received more value on their side of the deal.

As a techpreneur while one might attach a certain valuation to the product in question, the reality is that financiers may have a different valuation all together.



Mr Longwe: "The main asset for ICT firms is intellectual property. This being an intangible asset, it becomes difficult to get favourable valuations." LIZ MUTHONI

"If an investor inquires about your "valuation," they are seeking to know if you're in the "ball park" and are an informed entrepreneur about the relative value of your startup," say advisors on online startup advisory site, startupventuretoolbox.

Even then, techpreneurs may fall prey to sharks that pump in cash into the venture and milk it dry, leaving the techpreneur with nothing to hold on to. This is however not always the case.

In Kenya individuals such as James Gachui, chairman of investment firm TransCentury Ltd have stood out in their exploits to

individually invest in ICT start-ups. Currently, Mr Gachui is involved in several ICT businesses in Kenya and is chairman of several of them, including Wananchi Online, Seven Seas Technologies, and Jimana Ltd. It is through Jimana that Mr. Gachui has a major stake at Wananchi Telecoms.

Financing through equity

For the more established ICT firms, it becomes a bit easier to marshal up funds owing to the strength of the firm's reputation and its brand.

AccessKenya a telecommunications

service provider made history last year becoming the first ICT firm to tap the stock markets for additional funding. The firm managed to raise the entire Sh800 million that it had sought from the capital markets with the initial public offer being considerably oversubscribed.

While many might argue that AccessKenya rode on the stock market euphoria that has characterized proceedings in Kenya's nascent equity market, the overwhelming success of the AccessKenya IPO had driven a crucial point home; well run ICT firms could tap funding as easily as any other firm.

It then comes as no surprise that the biggest IPO in Sub-Saharan Africa so far this year is a Kenyan company ICT that also holds the mantle as the country's most profitable institution.

The divestiture of a 25 per cent stake in mobile telephony giant Safaricom is much more than an exit strategy for the Kenya government which is seeking a huge paycheck of Sh50 billion from the sale of some of its shares in the firm. The sale is one that shows that enabling technologies that are cobbled together to provide necessary services to neophyte markets such as the Kenya's ICT sector portend immense goldmine opportunities for techpreneurs and investors alike.

Market players say the next phase of financing is coming from venture capital (VC) firms, keen to invest and nurture budding firms in various sectors of the economy.

With the high risk appetite that VCs can take on and their intimate knowledge of target markets, ICT start-ups stand out as ideal beneficiaries of these funds. Newly launched funds such as Chanzo Capital, Growfin, Bluelink Mirror Fund as well as Acumen are some of the VCs that are looking to invest in Kenya's ICT entrepreneurs.

Established funds such as Enablis are already providing support packages that span from financing to advisory services that help nurture ICT firms.

One thing is for sure, while funding of ICT start-ups is still a challenge,

E-CENTRES

BY BEATRICE GACHENGE

With the government gearing up to launch 300 digital villages in coming months, the search for savvy entrepreneurs is officially on. Just three weeks ago, the government established a revolving fund of Sh260 million to support entrepreneurs seeking to expand their ICT businesses across the country. One of the hot spots will be the e-centres. But investors will want to know - what does it take to run an e-centre? Are e-centres a viable business venture?

A major prerequisite for running an e-centre is training in business and information technology from a certified program.

"The Kenya ICT Board training will kick off in June, when 1500 people will be trained. It is from this pool of trained persons that entrepreneurs for the e-centres will be selected. Only those who have

undergone training will be eligible to apply for the digital village. Successful applicants who meet the preset criteria will be evaluated by the board for support," said Victor Kyalo, deputy executive officer, Kenya ICT board. Training will be conducted at grass roots level in order to make it accessible to applicants from across the country. Prospective entrepreneurs who have obtained certification will be eligible to apply for a digital village development loan from the revolving fund to finance set up costs and required infrastructure. One will be required to invest a minimum of 10 per cent of the total cost, then they will be eligible to apply for the balance.

A major advantage for the techpreneurs is that within the first 3 years, the Digital Village Project DVP will support the provision of IT support to digital villages which are critical to support the incubation of the initiative and ensure

sustainability.

"The entrepreneurs will need to define their services as well as pricing since there is major competition in this field," said Tom Kwanya, national director, ICTVillage.com, which has established private e-centres. Michael Kinyanjui, the Programmes Co-ordinator at Arid Lands Information Network-Eastern Africa ALIN-EA, said starting with five computers was a good starting point for interested parties. Mr Kinyanjui said crucial equipment necessary to run an e-centre included internet connectivity through GPRS, a photocopier, scanner, camera, community phone, flash disks, and CD Roms. For a wider spectrum of revenue, Mr Kwanya advises techpreneurs to diversify their services. "For instance one of the ways to ensure client loyalty is being relevant to the clients' needs. If a soap stone artists is looking for a market, the e-centre entrepreneur should be able to link up the

soap stone artists to the market and facilitate e-commerce," said Mr Kwanya. E-centres will step in to facilitate e-governance at the grass root level. Services such as NSSF statements, driving license application forms, police extracts, among others will be obtained from the e-centres at a stipulated fee. DVP will be provide bandwidth in the initial stages to ensure sufficient internet connectivity at affordable rates; this will reduce operational costs for the entrepreneurs. However the aim of the Digital Villages program is to deliver digital services to people in rural and peri-urban areas. The ICT board recommends that those running the digital villages live and work in the area and will give priority to local residents. But bearing in mind the rural set up, Mr Kinyanjui said that one of the challenges will be translation of content to local languages and erasing fear of technology.

» BUDDING DEVELOPERS

UoN student who led Google, Facebook to Nairobi

Jessica Colaco's undergrad thesis was heading nowhere until she developed her software application. Then global internet giants started noticing, writes **KUI KINYANJUI**

To many Kenyans, the names Google and Facebook will remain far-off concepts — for one young Kenyan woman, they are the reality that drives her work everyday.

The quest to find a solution to her thesis attracted the attention of the global giants; providing the most significant proof yet that the Kenyan application development scene is indeed worthy of global note.

"I had been exploring the possibility of studying mobile GIS (Geographic Information Systems) systems for my thesis work, but was getting increasingly frustrated. Maps of developing countries such as Kenya were not commonly found in existing mobile map databases — so I developed my own system," said Ms Jessica Colaco.

Ms Colaco developed a Wireless Map Service (WMS), a system that allows a mobile phone user to view detailed street maps of Nairobi as well as access user generated point-of-interest database, which Colaco also personally developed.

She needed map information for her final year thesis for her BSc in Computer Science from the School of Computing and Informatics at the University of Nairobi.

After seeking and failing to find a suitable solution on the Internet Ms Colaco did the next best thing: create her own.

In December 2007, her application

was among a few other Kenyan made applications that drew Google's Vice President for Engineering in Eastern Africa, Nelson Mattos and Google International Operations Director, Kannan Pashupathy to visit the country.

For Google, the interest made sense, ever since the global internet company set up its regional base in Kenya last year, it has been on a mission to find people to develop its Maps application locally.

On Ms Colaco's system, users access the service using a GPRS connection — usually available on an ordinary mobile phone — to reach a web server, where they can query local Nairobi destinations, streets, businesses, or civil services such as police stations and hospitals.

The locations and contact information of the results that meet the search criteria appear integrated on the map.

"Young people are leading innovators in ICT development. For instance, youth in Kenya have mobile phones but many have not used them to gain money or entrepreneurship. We need to tap into this," said Ms Colaco.

She is among a growing number of Kenyan software developers who believe that the changing fortunes in the global economy favour local information technology and economic development.

"Google is anxious to find ways to



Ms Colaco: "Young people are leading innovators in ICT development. For instance, youth in Kenya have mobile phones but many have not used them to gain money or entrepreneurship. We need to tap into this." PHOTO: JESSICA COLACO

extend their systems and develop more relevant content for the continent. The fact that many of our students have great understanding of some of the challenges faced in developing content is particularly important for the company's strategy regionally," said Kevit Desai, Kenya chairman of the Institute of Electronic Engineers IEEE.

Many developers take hope in the knowledge that Kenya and India were at the same level several years ago in terms of development. India's rapid development is brought about mostly

because ICT has been integrated into their economy.

According to information from the IEEE, over 90 per cent of the students with applications do not know how to access industry for product testing, or how to source funding for their projects, said the survey.

Facebook: Kenya Just threw a sheep at you

At the end of last month, as part of an effort to create awareness of the opportunities for young developers to

earn money by creating applications and create more locally relevant applications and content, the first ever Nairobi Facebook Developer Garage was held at the University of Nairobi — School of Computing and Informatics.

Facebook, a popular social networking website that allows friends across the world communicate and keep in touch, is now one of the largest IT companies in the world.

Much of the website's phenomenal growth has been driven by the website's reliance on software developers who create unique programmes for the website, such as the popular Super Poke application, which allows users to throw varied goods at each other including sheep.

Ms Colaco was the Programme Co-ordinator for the Kenyan event which was co-hosted by Market for Change, an NGO based in Silicon Valley, sponsored by Facebook and Strathmore Research and Consultancy Centre, where Ms Colaco currently works.

The main objective of the event was to enlighten developers about social networks such as Facebook and how they can make use of such networks to create applications which are market-driven, thereby earning on income on the side and putting their expertise to good use.

The Nairobi event was the first to take place in sub-Saharan Africa, and was well attended by a cross-section of university students and developers as well as government officials and private sector heads.

In order to sustain the momentum of the Developer Garage, developers who attended the event have been invited to enter a competition which come to an end this month that challenges them to create uniquely Kenyan Facebook applications.

PROFILE

BY BEATRICE GACHENGE

Wesley Kirinya is a rose from the rocks. He is not your usual 24-year-old lad, but a self made computer game techie who also holds the distinction of being the first Kenyan to develop a computer game.

Adventures of Nyangi is an adaptation from the African mythology and folklore. In the 3D game, Nyangi, an Africa woman and the main character, has to find rare African artifacts from different communities. Going through ten levels, the plot features a rural African setting, where Nyangi encounters hostile tribesmen.

The free, downloadable game targets people between the 15- 25 age bracket.

"The beauty of a computer game is that one is given an opportunity to participate in the story line meaning that every one playing the game has a



Wesley Kirinya. FREDRICK ONYANGO

different experience," said Mr Kirinya. To him, gaming is a promising industry but it has been a long and daunting journey for Mr Kirinya. Admitted in the University of Nairobi some five

years ago to pursue Actuarial Science, Kirinya opted to defer his studies after two years to pursue his dream: creating his own computer game. "It was very hard since the local university did not offer what I needed to excel in computer gaming. I needed to learn programming, a language known as C++, which is rarely taught because it is one of the most complex programming languages," said Mr Kirinya. With the help of his sister who studies in the United States, Kirinya bought books, which cost him over Sh5,000 each. Shipping of the books would at times take too long, in one particular instance, six months.

After three years of self study, it took him two years to complete the game. It was also a lonely journey as it was a one man show, since he said that none of the local techies who were experienced C++ programmers wanted to partner

him.

Since the inception of the game early last year, there have been at least 6000 downloads, which is a breakthrough for Mr Kirinya.

"It has given me the morale because I know that there are people who can buy my games. I have also received positive feed back both locally and internationally," he said.

Now the self made computer game entrepreneur wants to go big. He is currently developing an online computer game where people must subscribe to access it. It will also have an African perspective and is set to be complete in a years time. "I am banking on the laying of the fibre optic cable as bandwidth will be solved, although one can still use the local loop available," said Mr Kirinya

There is a potential market for video games. Where children would use papers to make balls

Self-taught gaming innovator opens virgin market