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## Interview - Muchiru Mark Kuria

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**This interview is part of a series of interviews with academics and practitioners at an early stage of their career. The interviews discuss current research and projects, as well as advice for other young scholars.**

Muchiru Mark Kuria is the Chief Executive of Kuria Capital, a Venture Capital family office in Kenya that manages an innovation fund committed to working with young entrepreneurs and investing in Kenya's 'Silicon Savannah'. Mark Kuria's prior work experience took him to the World Trade Organisation in Geneva, saw him work in UN Peacekeeper training also in Geneva, UN Industrial Development in Vienna, and diplomatic work before that with the Kenyan High Commission in London. He has also recently concluded his fourth stint in a British University; completing a business degree at the University of Cambridge. Prior to this he studied for a BSc in Politics and International Relations at the University of Southampton, a Masters in Global Governance at University College London and a Masters in Contemporary Warfare at King's College. However, his qualification in Entrepreneurship and Business Administration at the University of Cambridge, helped convert his expertise from the world of international organisations, to the burgeoning world of business in East Africa.

**What (or who) prompted the most significant shifts in your thinking or encouraged you to pursue your area of work?**

Other than the WTO's relevance, there is not a direct connection between what I was doing in the developmental diplomatic field, with my work with the UN, and what I am doing now. When I returned to Kenya, I started working for my family's business, and noticed two things which have shifted my thinking. Firstly, the dynamics of the Kenyan digital ecosystem were dominated by American founders and supported by American capital, giving them the edge over Kenyan founders. Secondly, the national dynamic was endemic of a financially well-off strata of Kenyan society and its approach to investment and value. These people were investing in property and land rather than in new businesses. Through my work at the Kuria Capital, I am playing my part in challenging these two dynamics.

**Can you explain the concept of the 'Silicon Savannah'? What were the key prerequisites for its emergence in Kenya over the last ten years?**

Kenya has a fast growing digital ecosystem, with Nairobi being successful because it is cosmopolitan and internationalist, with strong links to American founders. Several International ventures have come to Kenya to found Kenyan domiciled but foreign-owned companies – this economic model is the premise of the 'silicon' prefix. Nigeria, South Africa, Kenya and Egypt are the traditional economic hubs in Africa, but Kenya is leading specifically in tech and the venture capital (VC) industry investing in it. The 'savannah' aspect relates to the Kenyan location.

How has this happened? The evolution of the innovative product M-Pesa was a game changer in Kenya and globally. M-Pesa is a unique financial architecture based on digital money. The increasing use of digital money, based on apps, is a trend that we are beginning to see in Europe and the US. However, this trend is already entirely dominant and widespread in Kenya, and almost nowhere else has the same uptake. M-Pesa and mobile money have replaced cash for the unbanked population, who didn't use debit and credit card facilities. Beyond that, M-Pesa has become almost universally accepted – for utilities, retail, salaries and fundraisers – functions only rivalled by one other device: cash, except that this is privately owned. This is what gave Kenya the initial spark required for the Silicon Savannah.

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While there are other regions adopting a 'silicon' prefix, Kenya is collaborating extensively with the original Silicon Valley. The strong pipeline of American founders and capital raised from California gives Kenya a genuine claim to the 'silicon' prefix and not as a nominal title. It is making a major contribution to the wider global tech system. The most notable original players of the Silicon Savannah – M-Kopa, M-Pesa, SportPesa and Twiga – are very profitable and have a Kenyan flavour to them. M-Kopa has been particularly successful at creating a token based system allowing people in rural communities with limited infrastructure to access solar-powered electricity via mobile payments. However, I refer to these big four Kenyan owned companies emerging in the early 2000s, as 'Silicon Savannah.1.0.'

I use the term 'Silicon Savannah.2.0' to refer to the current era of American-founded tech companies, which began operating in Kenya in the 2010s. It is much cheaper for American's to start companies in Kenya than in the US. However, a greater awareness of this dynamic has started to rise to the collective attention, as a notably controversial report was released last year, which ranked the top founders of tech start-ups in Kenya: the list was exclusively Caucasian Americans. This is not an ideal picture to be coming out of the Kenyan ecosystem, but it is the reality. 'Silicon Savannah.2.0' has had far more American influence, investors and leaning.

**According to The Kenya Youth Survey Report of 2016, 48% of Kenyan youth aspire to go into business, with much smaller percentages for professions including engineering, law and medicine and only 11% farming. What are the main drivers behind this and what obstacles do young people face?**

There are pull factors for young people wanting to become entrepreneurs and push factors of mass underemployment. I use the term 'underemployment' rather than 'unemployment'. Young Kenyans outside of full employment are usually very successfully self-employed, most tenaciously so. The 'side hustle' is a common concept in Kenya – individuals having multiple businesses on the side – ranging from selling clothes online, importing from China, to building grocery wholesaler businesses. There is a nearly libertarian 'Kenyan Dream' ethos which is rarely articulated as effectively as the 'American Dream', but the aspirations of many people are very strong and clear. They are not exactly consumerist, but rather capitalist – people want to have more money as it provides them with freedom, security and a safety net. In this ethos, the businessperson or 'hustler' is admired. Having a salaried job does not necessarily bring more status or recognition in society compared to people who have started their own companies.

The push factor comes from stagnant or declining wages. The average salary in Kenya is very low, in stark contrast to the value of land. A typical graduate role at a retail bank may pay just \$300 per month. Compared to the amount of money which capitalists make, with prime land assets fetching between \$1m-\$10m per acre, the disparity is extreme and growing. This disparity has led to a higher cost of living, especially in Nairobi. Someone on a normal salary essentially cannot afford to live in Nairobi – it is similar to the situation in London. Wealth has accumulated in just a few areas. But the Kenyan reaction to this disparity in wages versus cost of living has not been to adapt the cost of living, for example by moving to cheaper areas and commuting (not least as the required transport infrastructure would need to be improved), it has rather been for people to start businesses. This supplements incomes so that people can afford the cost of living. This ethos of side hustles was prevalent in the 2000s during a period of major *underemployment*, but now the ethos has evolved even further as there is now major *unemployment*. There are too few new jobs and a strong hunger for education. Kenya thus has a surplus of new graduates and the university per capita rate is high, which has flooded the job market with degree holders. The young graduate talent market is oversupplied. The public conversation is now about people coming out of university without jobs to go to; it is in some ways a microcosm of what has been happening in Europe. People's career prospects are not the same as their parents, who could work hard at university and enter a job for life. The traditional job market is tanking. However, the Silicon Savannah has become a source of job creation. Start-ups hire more regularly and are willing to take chances on young people.

**Kuria Capital has set out to invest "in the ideas of the bright and enterprising minds of the Silicon Savannah and beyond". How does the fund do this and what are the most significant challenges faced in achieving this goal?**

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In Kenya, many investors speculate on property or land, not to develop it but to simply accumulate value and sell it on. We know the dangers of this over-reliance on speculation from what happened in the financial crisis in Europe and America. It is technically sustainable as long as people keep buying land from each other, but at some point you need income generation – whether it's from developing properties for people to buy, renting or investing in alternative asset classes. Our Innovation Fund aims to redirect investment from empty land to growing industries with a more meaningful impact for people in the country, outside of the capital owning class. There needs to be more awareness of wealth management and for investment to be linked to collaboration and supporting young entrepreneurs with new business ideas. The property market is not functioning in the interests of most people, with those at the top holding the capital and preventing it from flowing around the economy. The priority should be financial inclusion instead of stagnant asset accumulation, since most people outside of that process are losing out and cannot afford to buy land anymore. Alternative forms of wealth management are a really important potential future for rising economies with wealth being redistributed more effectively and in profitable ways. Presently, in the Silicon Savannah.2.0, companies are highly valued but a lot of that money is flowing back to the US. It is a form of neo-colonialism in many ways. The evolution I am suggesting will hopefully pave the way for a 'Silicon Savannah.3.0' – giving Kenyan founders the chance to compete against their American competitors.

There was an initial methodology of how the fund would make such investments and the reality of what we do today – with a slight deviation between the two. The first stage relates to finding companies deserving of investment. We planned to develop a large public application system, based on the Silicon Valley Y Combinator model for funding early stage start-ups. This is still the plan, but we have actually found that a lot of enterprising, driven young people reach out to us based on their own research as self-starters or because they are lucky and able to use their networks of contacts. The second stage is assessment. For this stage, we have kept close to the original plan. Compared to the market and to the Californian model, our method is very slow, deliberate and deep in due diligence processes. It includes understanding everything about a company's model and founder that we can. A lot of traditional Californian VC funds go by the assumption that out of every twenty companies they invest in, one will be a success. In Africa, that is mostly a fallacy and an unrealistic strategy. The fund prefers to be thorough and only invest in two companies per year instead of twenty. It takes us about half a year to assess a company and another couple of months to process the investment. Stage three is closing the deal, which can be a novel and exciting experience for a lot of the companies we invest in. We have a very formal process with a lot of documentation and international standard agreements, including term sheets and share purchase agreements. Not many Kenyan founders have a working experience of these – they usually have informal arrangements to take money from family and friends in return for stock. We apply a lot of rules and make recommendations around how they should operate, not least as these are things which later stage investors from Europe or America would look for. For Kenyan companies to stand the same chance as American companies, they need to understand the same language of corporate governance that American investors use. Equipping them with that language provides them with an advantage, helping them ultimately add value. Stage four relates to when we are 'in' the company. We have very close daily contact and an almost parental role in the start-ups, sometimes even sharing office space and acting like cofounders. This involves guiding them with their policies, procedures and operations – it is very hard work. We take an active board position and help to steer companies the right way.

It is a challenge to stay so engaged with these companies especially as they are early stage and the market is tough. But this is more of an activity than a hardship – applying yourself to overcome challenges. There is a lot of collaborative energy and positive thinking about how to improve each company. Networking effectively with international investors run by people they do not know is a challenge for Kenyan start-ups. That is a systemic challenge at the macro level countrywide, but I am finding that I am getting better at it because I was lucky enough to have some of the tick boxes including having connections in the US and Europe. This has given me the confidence to approach people in certain funds without being afraid of what they might say – quite the opposite. But it is a challenge in knowing who to contact and reach out to; there is essentially a nuanced world of how financing actually works in Europe and America rather than a public list or common knowledge of what companies invest in. The process is very reference based and often investment funds do not have a way to be reached – you need know someone willing to make an introduction. When meetings take place they may be very positive, but the initial barrier to access is very high as Kenyan founders have no visibility of how it is done, nor the tools or best practices. For example, most Kenyan founders have not heard of CrunchBase, which is an important tool in the investment world – whereas

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American founders *in* Kenya often use it very effectively. Even if they have good models, the Kenyan founders would not likely know how to start the necessary conversations with investors. A lot of investors also want to invest in Kenyan start-ups as they value the knock-on benefits it will bring to communities in Kenya, but they often struggle to source these deals. If there was clearer communication between these parties, it would not level the playing field overnight but would bring some parity between American and Kenyan founders in Kenya. The current situation is not the result of malice or aggressive bias (but perhaps some implicit bias) – the main factor is access. Kenya also has a need for more tech specialist lawyers, auditors and support functions, capable of bringing local startups to international standards of documentation.

**Kuria Capital eventually aims to fund seed stage businesses beyond Kenya and across the East Africa region. What challenges do you foresee for this international growth?**

The East Africa regional question is very different to the California connection. Scaling as a VC in East Africa essentially relates back to the method of finding companies I've outlined. I can scale in East Africa without leaving Nairobi – you just need to be better at finding companies in Uganda, Tanzania or Rwanda and so on. So one way of growing in the region is to just broaden out the goal posts of the normal methods. The other way to do this is to invest in Kenyan companies which can scale out across the region themselves. This could involve maximising the possible investment to those Kenyan companies with such growth potential. One example of a company which is investing across East Africa is a fund and accelerator called MEST. They have been very good at the 'incubative' elements – training up new companies and giving them the skills they need. They physically go to help them across different countries, as active board members rather than just investors.

When we implement our East Africa vision, it will be a case of encouraging people to apply from Tanzania, Ethiopia and elsewhere in the region. This would be much more realistic for us. When we start doing our public pitches, we will take on variables which calculate the merits of companies across the region. We would probably have less of a driving seat in the companies that get bigger and want to scale out into other countries starting from Kenya. Unlike the links with the US, where it is about networking and selling yourself to new people, in East Africa it will be more about looking to the people we are engaging with and changing the metrics around them. I can do a lot on the US and Europe side by overseas networking, but scaling across East Africa is far more about the people we are already working with. It is on the cards, but what I have learnt is that events define your agenda a lot more than you can.

**What are you currently working on?**

The thing keeping me the most occupied is the ongoing work with two companies which have been added to the fund's portfolio. One of the companies, called Fee Plan, is a financial inclusion, education and fintech company providing educational loans to support children to attend private schools. The main innovation of this company is to reduce the number of risks to parents who take out loans – they do not need to put up collateral such as their house, as they would with a bank. Instead, if the parents default on this facility, the school can guarantee it and the child can be suspended from the school for a specified period. This is better for the parents as it represents only one form of risk. Defaulting on bank loans can lead to losing a home as well as a place at a school. This is also a way to bring credit scoring to schools – remember that credit scoring is not common or reliable in many parts of the world. The other company I am supporting operates in the 'informal sector'. A large part of the Kenyan workforce is in informal work, particularly in trades such as plumbing, catering and ad hoc tasks. The problem is that it is so informal that it is hard to guarantee appointments or availability, which the company addresses through the use of an app.

I am also busy with trying to source and close our next two companies for the year. The situation for start-ups in Kenya is so much less forgiving than in California. In California or elsewhere in Europe, they can get multiple rounds of funding which they have a lot of flexibility to dispose of. In Kenya they have to survive far more by themselves. They should be the darlings of the international VC community, but people still keep on investing in tech start-ups in the West even if they are not profitable. The American way of defining a 'unicorn' is based on a company's valuation of a \$1 billion, but this is based on how much people are investing in it – so it might still in fact be making losses. The difference with Kenyan 'unicorns' is that they have never had to receive such investment; M-Pesa and SportPesa are

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profitable in their own right. These sorts of companies have often not had a single round of investment, or only one, unlike their equivalents in the US and Europe. There needs to be a new definition for such companies. Maybe 'elephant', as this is Savannah specific!

### **What is the most important advice you could give to scholars of international relations or those seeking to develop new businesses in East Africa?**

I don't know the current feeling of people in the field of IR towards the tech industry, but when I was an IR student in 2014 it was a very enticing, exciting sector that I didn't know how to be a part of. But I knew that there was a lot of exciting stuff going on and that it would be great to have a job at Google! I imagine that the level of interest from IR scholars is more magnified than before, because there are more unicorns appearing regularly. As someone who did work in the IR world and understood some of the variables of careers in it – both difficulties and benefits – I have now scratched my itch to understand what the tech world is. I am aware of some of the language and structures within it. What I have learned is that it has a very meaningful power structure in our world. It is arguably unique and will perhaps have more foreign policy implications than any other type of company previously, including banks and oil companies. The suspicions that IR specialists have about the positives of the tech industry are true. It is a world someone can easily immerse themselves in and it provides a fully formed career ecosystem. Whether or not an IR scholar has decisive interest, passing interest or is unsure about being part of it, I would advise them to start building an understanding of the language and culture of the tech world. It is having a major impact on global politics and development. Development finance tools – such as those of the Bill & Melinda Gates Foundation – are a good example. I encourage IR scholars to spend some time on Crunchbase, The Next Web and gradually read more articles on tech news – it quickly becomes more inspiring than the 'normal' news in the world we currently live in!