



**OVERCOMING THE
CHALLENGES OF
INNOVATION: THE
CASE OF KENYA**

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/ Dennys E. G. Camara

Brazil has been struggling to encourage the creation of startups and the promotion of a healthy ecosystem for them. For instance, the Brazilian Securities and Exchange Commission (the “CVM” – Comissão de Valores Mobiliários) has already issued regulations on [Crowdfunding](#) and the [creation of angel investment agreements](#).

Our entrepreneurs will inevitably try to learn with globally known ecosystems, such as the ever-innovative Silicon Valley or the fast, intense ecosystem of Beijing². However, due to the political and economic history of these countries and the consolidation of their ecosystems, some comparisons may come as inadequate to the Brazilian reality. What, then, if instead of looking at the already-established giants, we focus on a developing country with an ecosystem under construction, aiming to overcome its own difficulties in an innovative and creative manner?

So, let us deal with Kenya.

The former English colony took the first steps in that direction in the early 2000s: the advent of smartphones in the international market overthrew the price of conventional

¹ This article and the citations are the result of a conversation with Peter Fella, startups and social innovation expert Founder of the [Unleashing Africa Institute](#), and Halima Murunga, business development leader in company [Wonderkid](#), management software developer.

² VENTURE COMMUNISM: HOW CHINA IS BUILDING A START-UP BOOM, September 3, 2016. The New York Times. SCHUMAN, Michael. Available at <http://goo.gl/sXijFY>. Accessed on Jan 10, 2018.



cellphones, which now suit every pocket³, as well as the installation of underwater Internet access cables, which now connect Africa to the rest of the world.⁴

The consolidation of mobile phone usage in the country has opened new ways for dealing with their money circulation problems⁵. Kenya's informal economy is so huge and active⁶ that has a name: Jua Kali⁷. This informality has nevertheless presented itself as a hindrance to financial transactions, as it is difficult to open a bank account and even access to credit⁹. This has also created security problems, since, without the use of bank transactions, informal traders were compelled to move around with reasonable amounts of cash, thus facilitating robberies and theft.

Brazil also has a big – and growing - informal economy. In 2016, informal economy accounted for 16,3%¹⁰ of Brazilian gross domestic product (GDP). Nevertheless, on the other hand, 64% of Brazilians have a bank account¹¹.

The flow of credit has also been undermined by Kenya's poor infrastructure. Despite the growth of mobile communication, there is no solid structure for internet backbone providers.

³ KENYA STARTUP ECOSYSTEM: WELCOME TO THE LAND OF MOBILE MONEY. December 2013. Innovation is Everywhere. PASQUIER, Martin. Available at <http://goo.gl/cJkXMc>. Accessed on Jan 10, 2018.

⁴ CAN THE INTERNET REBOOT AFRICA? July 25, 2016. The Guardian. Rice-Oxley, Mark; FLOOD, Zoe. Available at <https://goo.gl/MTTHn2>. Access on Jan 1, 2018.

⁵ IN KENYA, PHONES REPLACE BANK TELLERS. May 2017. The New York Times. ROSENBERG, Tina. Available at <https://goo.gl/iSywAE>. Accessed on Feb 16, 2018.

⁶ "Kenya's informal sector is large and dynamic - 95 percent of the country's businesses and entrepreneurs are found here. According to 2015 Economic Survey, the total number of persons enrolled in both formal and informal sectors increased from 13.5 million in 2013 to 14.3 million in 2014, and of the 799,700 new jobs, 700,000 were created by the informal sector." INFORMAL ENTERPRISES IN KENYA. January 2016. World Bank Group. Pg. 1. Available at <https://goo.gl/KW2vYA>. Accessed on Feb 16, 2018.

⁷Jua Kali is a term in the Swahili language that mean fierce Sun.

⁸ In 2016, 89% Keyan new jobs were in the informal sector. ECONOMIC SURVEY 2017. Kenya National Bureau Statistics. Pg. 2. 2017. Available at <https://goo.gl/mHcnFR>. Accessed on Feb 19, 2018.

⁹ "...only 9 percent of firms in the sample use banks to finance working capital...". INFORMAL ENTERPRISES IN KENYA. January 2016. World Bank Group. Pg. 11. Available at <https://goo.gl/KW2vYA>. Accessed on Feb 16, 2018.

¹⁰ Available at <https://goo.gl/3K6TJC>. Accessed on Feb 19, 2018.

¹¹ Available at <https://goo.gl/1ujByu>. Accessed on Feb 19, 2018.



Rather than seeing informality as a hindrance, M-PESA¹² used mobile communication to make room in the large informal economy. The company made it possible to carry out credit transactions through SMS so that, later on, users could withdraw money from ATMs operated by the company.

Another example of innovation used to overcome challenges in the country came at the end of 2007, when Kenya was amidst an electoral crisis which culminated in various conflicts and persecutions all over the country¹³. Ushahidi¹⁴, a startup, reacted by creating a collaborative map through which users could signal and avoid dangerous regions, with the information updated by SMS.

Today, the company provides several analytics services as well as special plans, and is no longer only a location app.

Such changes continued into the next decade. Kenya's new constitution¹⁵, enacted in 2010, introduced relatively innovative elements, such as quotas for various government positions for women and the youth.

Women and young persons have a strong representation in the country's economy. Chamas¹⁶ were small groups formed by women who invested part of their money in the achievement of a given objective: credit for property, utensils, agricultural tools, etc. Today, these groups have diversified and become more sophisticated, with men and women making large investments in transportation, agriculture, and real estate.¹⁷

Back in 2010, in addition to a new constitution, the first center for the formation of an ecosystem for startups in the

¹² Available at <https://goo.gl/U2mVFM>. Accessed on Jan 22, 2018.

¹³ ETHNICITY AND VIOLENCE IN THE 2007 ELECTIONS IN KENYA, DERCON, Afrobarometer Briefing Paper. Issue 48. DERCON, Stefan. February 2008. Available at: <https://goo.gl/i4LQ7F>. Accessed on Jan 22, 2018.

¹⁴ Available at <https://goo.gl/5WH7Fs>. Accessed on Jan 1, 2018.

¹⁵ Available at <https://goo.gl/M2Z83h>. Accessed on Jan 1, 2018.

¹⁶Chama is a term in the Swahili language to refer to a group of people.

¹⁷GICHURU, Mercy. STRATEGIC PLANNING IN INVESTMENT GROUPS (CHAMA) IN NAIROBI COUNTY. Available at <https://goo.gl/PyLhCf>. 2014. Accessed on Jan 30, 2018.



country was created, iHub¹⁸. An initiative not only seeking to accelerate new companies, but also to train skilled labor for Kenya's growing technological wave, focusing mainly on programmers and entrepreneurs.

Besides, in 2013, the Kenyan government began the construction of a city for the formation of startups: Konza¹⁹, "the capital of innovation", thus symbolizing the relevant role that the State has been playing in the development of innovation in the country²⁰. Some US\$ 15 billion have already been invested in its construction, which fulfillment is expected for 2030, according to Vision 2030²¹.

Despite the merit of these initiatives and very interesting perspectives, Kenya still faces serious problems. There is a new electoral crisis, just like the one in 2007²². This is just another similarity with Brazil, which democracy is still shaken by 2016 former president Dilma's impeachment process²³.

There are no doubts, however, that Kenya is an interesting case study, which shows how a developing country with a huge informal economy can be committed to creating a startup ecosystem by joining governmental efforts with the private initiative.

Among the African countries, Kenya is worth of special attention. It is certainly a case to be closely followed by the developers of the Brazilian innovation ecosystem. Lessons learned from the Kenyan experience will certainly be rich, and those involved in innovative activities in both countries will doubtlessly learn with one another – and maybe even find opportunities to be jointly explored like developing

¹⁸ Available at <https://goo.gl/h1cQXW>. Accessed on Jan 10, 2018.

¹⁹ KENYA BEGINS CONSTRUCTION OF SILICON CITY KONZA. Jan 23, 2013. BBC. Available at <https://goo.gl/PKqc5W>. Accessed on Jan 10, 2018.

²⁰ SCIENCE, TECHNOLOGY AND INNOVATION POLICY AND STRATEGY. Republic of Kenya Ministry of Science and Technology. March 2018. Available at <https://goo.gl/XJsiEP>. Accessed on Jan 22, 2018.

²¹ "The Kenya Vision 2030 is the national long-term development policy that aims to transform Kenya into a newly industrializing, middle-income country providing a high quality of life to all its citizens by 2030 in a clean and secure environment." Vision 2030 website. Available at <https://goo.gl/hffLPK>. Accessed on Feb 16, 2018.

²² KENYAN ELECTIONS IN CRISIS AGAIN. October 13, 2017. The New York Times. Editorial. Available at <https://goo.gl/vymqAi>. Accessed on Jan 10, 2018.

²³ Available at <https://goo.gl/uQUUnNb>. Accessed on Feb 19, 2018.



solutions for the informal economy, infrastructure and financial sectors.