

Personal Perspectives: Update from Kenya

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When I relocated to Nairobi in September to establish an Africa regional office for Root Capital, I arrived in a country that was on a roll. Over the previous several years Kenya has had a democratic transition of power that inspired reformers across the continent, achieved annual growth in excess of 7%, instituted universal primary education, pioneered financial services innovations like banks-on-wheels and money transfer by cell phone, and built a literary scene to rival Nigeria's. The country's hopes for its December 27th Presidential elections were reflected in a record youth turnout at the polls.

So Kenyans were as shocked as anyone when, following the announcement of elections results, violence broke out in opposition strongholds in the west of the country and in a few Nairobi slums. Kenyans are accustomed to hosting refugees from neighbors like Sudan and Somalia; with television now showing scenes of thousands of homeless Kenyans lining up for food from the Red Cross, they often ask, "can this really be happening in my country?" Since then, the up-and-down political negotiations led by Kofi Annan have mirrored the national tension between popular calls for unity and peace, on the one hand, and the divisive pull of ethnic sympathies on the other.

The causes of the violence seen in the West of the country are still much in dispute. It seems likely that some of the club-wielding youths were acting out of spontaneous anger over disputed election results, while in other cases they were part of well-organized and -financed campaigns of ethnic land-grabbing and retaliation. Land pressure certainly seems to have played a big role, with declining soil fertility and increasing populations exacerbating forty-year-old disputes over resource distribution.

Personally, I was never in any danger. Offices in Nairobi were closed for two weeks after the elections, which made for an interesting time of working from home and constantly popping over to a Kenyan neighbor's house to watch the news and discuss the latest rumors. But other than that, Root Capital's work has not been impacted.

In fact, on February eleventh we disbursed a previously approved small loan to a group of coffee farmers on the still-peaceful slopes of Mount Kenya. The Mwangaza Coffee Growers Company Limited was formed in 2000 by a group of 267 small-scale coffee farmers, who'd separated from a large cooperative union after years of what they felt was inefficient and non-transparent management there. Every year since 2001 Mwangaza had sought financing for a coffee pulping machine, but had been blocked by banks requiring monthly payments rather than payments from coffee sales, urban land as collateral, and other conditions inappropriate to smallholder agriculture. This machinery will allow



Mwangaza to finally market its own parchment coffee in Kenya's coffee auction, earning the farmers a higher share of their product's export price than when they were forced to sell raw coffee cherries to the nearest estate farm.

But for the members of Mwangaza, the satisfaction runs deeper than price. "These farmers established a business so they could determine their own destiny," Mwangaza chairman Michael Njagi wrote in the company's loan application. Through their hard work and with financing from Root Capital, they're achieving that. As an investment officer, that makes me feel I'm in the right place.