SIEMENS | Stiftung

Social Enterprises as Job Creators in Africa

The Potential of Social Enterprise to Provide Employment Opportunities in 12 African Countries 2020-2030

STUDY – PART I

Main Report

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DEUTSCHE ZUSAMMENARBEIT

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About This Study

This study was conducted and published by Siemens Stiftung. The project was funded by The Special Initiative on Training and Job Creation of the German Federal Ministry for Economic Cooperation and Development (BMZ), implemented among others by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

Invest for Jobs

African countries increasingly offer attractive prospects for companies and investors: a young population, growing availability of workforce and skilled labor, rising purchasing power, new markets, and integration in global value chains. However, additional support is sometimes required to overcome local challenges and to leverage existing potential. With the Marshall Plan with Africa and the G20 "Compact with Africa" investment partnership as its starting point, BMZ has set itself the goal of supporting German, European, and African companies and investors in investment activities that have a high impact on employment in Africa. Under the brand Invest for Jobs, the Special Initiative offers advice from experts in Germany and Africa, contacts and financial support to overcome investment barriers. The objective in terms of development is to create good jobs and apprenticeships and to improve the working conditions in Côte d'Ivoire, Egypt (in preparation), Ethiopia, Ghana, Morocco, Rwanda, Senegal and Tunisia.
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Content

I.

Executive Summary

Social Enterprises' Role in African Labor Markets

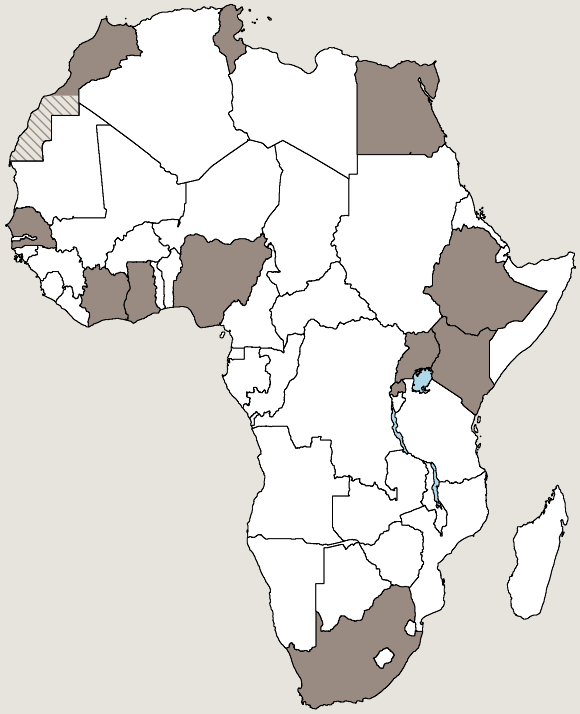
In 2030, Africa's working age population is expected to reach 1 billion people, with further growth expected. Development experts therefore keep emphasizing the importance of creating more and better jobs to create decent living conditions and sustainable economic growth for this growing population. Through COVID-19 the vulnerability of job seekers in Africa has surfaced even more, with millions of people having lost their income opportunities, lacking any type of social protection schemes that could support them. Social enterprises can play an important complementary role in this regard. With their impact oriented business models, they typically operate in markets that are neglected from traditional commercial players and they often explicitly seek to provide employment and income opportunities for vulnerable population groups including women or people affected by diseases or disabilities. However, in order to enable social enterprises to provide a significantly increasing amount of decent jobs, financial and technical interventions are needed to strengthen them and the environments in which they operate.

This study estimates that social enterprises could create more than 1 million additional jobs by 2030 in the 12 focus countries that have been analyzed. Overall, this would result in a total of approximately 5.5 million direct jobs in social enterprises in 2030. These jobs would be created in existing markets, but also for new markets, thus creating new value chains and many more indirect income opportunities in these countries.

The implementation of the interventions recommended in this report are thus an important action to prepare the African continent on future demographic dynamics. In addition, they can also be seen as an important contribution to preserve jobs that have been put at risk because of COVID-19.

Country Focus:

Twelve focus countries were selected for this study: Côte d'Ivoire, Egypt, Ethiopia, Ghana, Kenya, Morocco, Nigeria, Rwanda, Senegal, Tunisia, Uganda, and South Africa. These countries are either Compact-with-Africa countries or countries that Siemens Stiftung selected due to the operational focus of the foundation..



Main Findings:

2020

Estimated direct jobs in social enterprises:

4.43 Million

+ 1 Million new jobs by 2030

2030

Estimated direct jobs in social enterprises:

5.46 Million

Estimated number of social enterprises (SE) in 2020: 1.9 Million

A ROADMAP TO LEVERAGE THE JOB CREATION POTENTIAL OF AFRICAN SOCIAL ENTERPRISES

This report is the first step in a multi-stakeholder journey that seeks to support social enterprises in creating significantly more and better jobs in Africa.

STEP 1

Baseline research
(Q2 - Q4 2020)

- Macro- and micro-level analyses on quantitative job creation potential of social enterprises, in selected African countries by 2030.
- Definition of multiple recommendations on how to financially and technically support social enterprises and improve their enabling environment.

STEP 2

Publication & Validation
(Q4 2020)

- Dissemination of findings.
- Discussions and roundtables with relevant experts to review and refine the findings.

STEP 3

Project Development
(Q1 – Q2 2021)

- Outreach to further relevant stakeholders identified in Phase II.
- Development of concrete project concepts based on the previous results of the study through joint efforts with relevant stakeholders.

STEP 4

Project Implementation
(Q2 2021 onwards)

- Roll-out of concrete projects on site together with relevant stakeholders to support social enterprises in creating significantly more and better jobs in Africa.

Objectives of the Study

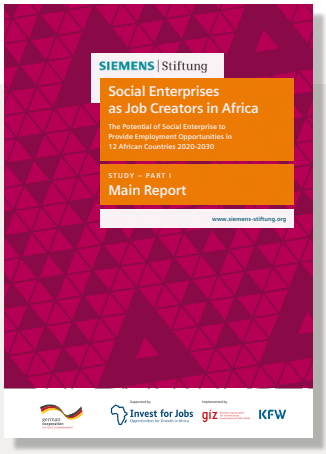
This study is commissionned by the Special Initiative on Training and Job Creation of the German Federal Ministry for Economic Cooperation and Development (BMZ), which is implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. Siemens Stiftung has approached the task of estimating the quantitative job creation potential of social enterprises and identifying job creating as well as job inhibiting factors in selected country contexts. For this purpose, detailed profiles for the 12 countries mentioned earliers and 5 case studies have been analyzed: MeshPower (Rwanda), SESI Technologies (Ghana), Tebita Ambulance Prehospital Emergency Medical Services (Ethiopia), TakaTaka Solutions (Kenya) and WASHKing (Ghana).

Overall, the results were used to derive specific recommendations for the development of technical and financial interventions that may significantly increase the number and the quality of jobs created by social enterprises in Africa.

In order to ensure readibility of the comprehensive set of information, the study has been published as a trilogy.

Methodology

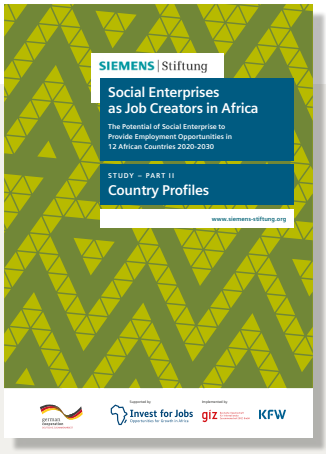
Given the lack of robust quantitative data about the prevalence of social enterprises and their job creation potential, the authors developed a multi-step iterative approach. For the macro-level analysis, a theoretical model based on proxies (particularly the number of SMEs and the job growth dynamics over the last ten years in each country) has been developed. Case studies were elaborated in close collaboration with the social enterprises to ensure a deep understanding of the realities in which they work. The approach, the findings, and the recommendations derived from the macro-level analysis and the case study have all been subject to an iterative validation and quality check with selected experts in the field of research, social enterprises, and job creation in Africa. It has to be noted that, particularly, the quantitative projections are based on theoretical modelling and proxies. Overall, estimations have rather been done in a conservative way, meaning that the numbers of jobs projected in this report are likely to be overperformed, particularly if recommended interventions are implemented. However, it has to be noted that, like all models, the projections made in this study are highly subject to the volatile dynamics of the COVID-19 situation, which is reflected in the local economies.



PART I

Main Report

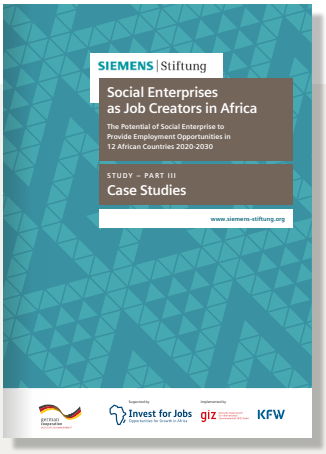
A main comprehensive document that contains the overall findings of the study. This includes specific recommendations and detailed elaborations about the approach and methodology.



PART II

Country Profiles

A first satellite document with detailed country profiles that have been elaborated for the macro-level projections on social enterprises' job creation potential.



PART III

Case Studies

A second satellite document with five detailed case studies that provide a deep understanding of the job creating and job inhibiting factors that influence social enterprises' ability to create significantly more and better jobs.

Key Findings and Recommendations

The major areas in which social enterprises need support to leverage their job creation potential have been identified and used as a basis to develop concrete recommendations for different types of stakeholders. Recommendations and support needs are clustered along three main categories: 1) Financial Support 2) Technical Support, and 3) Enabling Environment. An additional fourth cluster relates to improvement needs in the area of data collection and analysis of social enterprises around the globe.

Financial Support

Technical Support

Enabling Environment

Data Landscape

Financial Support for Social Enterprises

Like previous publications about social enterprises, the present study confirms the need to increase the amount and improve the type of capital that is provided to social enterprises. So far, access to appropriate finance, which allows African social enterprises to grow and create more jobs, is a privilege to few. For the vast majority, raising appropriate types of funds remains a year-long battle that hinders their growth, and thus their impact and job creation. The financial ecosystems in which social enterprises operate are often characterized by a lack of appropriate funding and significant gaps in a financing journey from very early to growth stages. Particularly, midsize tickets are not sufficiently available, thereby creating a so-called missing middle in the financing landscape for social enterprises.

While a more comprehensive list of recommendations on how stakeholders in the financial ecosystem may improve the situation can be found in Chapter VII, the following selected recommendations can be highlighted due to their expected high impact on social enterprises' job creation potential:

- **Increase the amount and adapt the allocation of funding to social enterprises' needs:** Be it in the form of more impact oriented venture capital funds or performance-based funding schemes like Development Impact Bonds, there is a general need to create more vehicles that provide appropriate (patient) capital to social enterprises in Africa. Particularly, ticket sizes from approximately USD $ 30,000 - 250,000 have repeatedly been reported to be insufficiently available. Equity and debt funding is of high importance for job creation given its characteristic focus on funding operations and growth.
- **Launch challenges and competitions to pilot new business lines:** In very early stages, but also in growth stages when seeking to diversify the product or service portfolio, social enterprises require grants that allow them to test new ideas. From a job creation perspective, this is an important investment into the ability of social enterprises to enter new markets, which may require more and different types of skill sets. It also helps social enterprises prepare and minimize risks in investments for later stage funders.
- **Financially support social enterprises in recruiting and retaining employees:** Social enterprises compete with organizations from the third sector and the private sector, including established NGOs and companies. Supporting them in recruiting and developing semi-skilled talent could be one potential impactful intervention. Furthermore, social enterprises can be supported in increasing their attractiveness as employers, for instance, by helping them to provide employee benefits or social protection schemes.

Technical Support for Social Enterprises

Technical support is essential for social enterprises in both early and growth stages. Often starting as founder-centered organizations, social enterprises need to build capacity in many areas such as governance, operational excellence, or financial management, as to become well-functioning companies that can scale and efficiently pursue their social mission and attract additional funding. The following selected recommendations have been identified as having high potential to best support social enterprises in leveraging their job creation potential.

- **Support social enterprises in strengthening their product/market fit:** The target market of social enterprises includes both the customers that they are trying to reach from a revenue generation perspective and their impact area. Conducting market research and refining products or services as to best possibly reach their target populations or their social objectives is a challenge for many social enterprises. Through mentoring, strategic partnerships and other support programs, social enterprises should be supported in tapping into particularly neglected topics and areas,

such as education and healthcare in rural areas, where they can create a large added value in term of impact and job creation.

– **Improvement of operational efficiency and HR Management:** As social enterprises grow, the need to implement structures and ensure that operations are efficient becomes more and more important. However, many social entrepreneurs lack the background and / or the time to implement efficient structures and processes. Managing their human resources, for instance, is a difficult task. Specialized firms should support social enterprises to develop strategies on how to best find and keep talent as to become robust organizations that can grow and create more jobs.

Strengthening the Enabling Environment of Social Enterprises

The majority of social enterprises around the globe operate in environments that traditionally separate the social and commercial sectors. In most African economies, the scarcity of resources (including financial resources, skills, technology, etc.) and fragmented infrastructure make social enterprises' operations and growth journeys even more challenging. Strengthening the environment in which they are located and making sure it provides them with what they need to thrive and grow is a fundamental prerequisite for their ability to provide more and better employment opportunities. This is particularly important for social enterprises in rural areas, where the conditions and the infrastructure are weaker than in urban areas.

– **Promote preferential treatment of social enterprises in public procurement tenders:** social enterprises often perform tasks that relate to public interest. Governments may outsource a part of their service provision to third-sector organizations or private companies. Such agreements can be made on a mid- or long-term basis, thus providing them with more durable revenue. Given their focus on impact creation and the development of sustainable business models, social enterprises could be treated preferentially in public procurement tenders. This would provide them with more planning security and a strong boost to the number and quality of jobs that they can provide. As mentioned earlier, Development Impact Bonds could be one tool through which such collaborations between the public sector and social enterprises can be structured.

– **Strengthen the position of social enterprises:** Globally, there are only few countries that have so-called "Social Enterprise Bodies" or specific legal forms for social enterprises. Supporting the institutionalization of social enterprises not only raises awareness about their existence and needs, but also promotes the development of support mechanisms and financing vehicles that are specifically tailored to their characteristics.

– **Promote the creation of HR pools that fit social enterprises' needs:** The search for skilled employees is challenging for many social enterprises as they, firstly, compete with many other players about scarce human resources, and second, typically have particularly tight budgets. Interventions are needed that help developing the necessary skills in the labor markets and improving the matchmaking between social enterprises and job seekers.

Strengthening the Database of Social Enterprises

Many stakeholders, including policy makers and financing and technical ecosystem players develop their interventions based on research. The poor quality of data about social enterprises globally is a significant obstacle for the development of interventions that can be tailored to specific objectives such as job creation. This is even more pronounced in emerging economies, where weak infrastructure, informality, and other dynamics make robust data collection challenging. Therefore, experts commonly point towards the need to improve the database of social enterprises. From a job creation perspective, the following recommendations are stressed:

- **Standardize research and definition of social enterprise:** Definitions of social enterprise vary across different and within single contexts. Streamlining these definitions is an essential prerequisite to improve the quality and comparability of data. Standardized survey templates and sharing them on an open-source basis would allow for the collection of social enterprise data in a standard format. By building such a database, important conclusions could be derived, for instance about the factors that influence the emergence and growth of social enterprises.
- **Deepen research on factors affecting the job creation potential and the quality of jobs in social enterprises:** Further research is needed to validate, deepen, further specify, and complement the findings put forth in this study. Looking at other developing and emerging countries and trying to estimate the job creation potential of social enterprises there is expected to motivate further efforts of development partners to invest in social enterprises as social impact creators and providers of decent jobs.

Let’s join forces to help create more and better jobs!

II.

Introduction

Social Enterprises as Employment Drivers in Africa

A Glance at Africa's Labor Market Today and Tomorrow

After years of sustained growth in most African countries, the last few years have been characterized by slower growth rates and, recently, the dramatic social and economic consequences of the COVID-19 crisis.[1] In African labor markets, this is likely to be reflected in a reduction of job supply. At the same time, the demographic changes in Africa are leading to a rapidly growing labor force. Africa's working age population is expected to reach 1 billion people by 2030, with further growth expected.[2] On one hand, these developments can boost regional economic growth, and, thus, job creation. However, for this to happen, international development organizations and experts have stressed the need for environments that support the creation of decent employment opportunities and incentivize sustainable economic development as outlined by the United Nations' Sustainable Development Goals 8 and 9.[3] Today, the share of unemployed people or ones who work in informal or vulnerable settings without any social protection schemes remains very high, both in Sub-Saharan Africa and North Africa & the Middle East.[4]

Effective policy change and interventions that aim at creating enough new jobs for Africa's growing workforce are thus of highest priority. With small and medium enterprises (SMEs) being the most important source of labor demand in Africa, measures that improve the conditions for new enterprises to emerge and existing ones to thrive are urgently needed.[5]

As reported in the World Bank's Africa Competitiveness Report 2017, most competitiveness challenges that have been identified over the last decade keep persisting, hindering the creation of employment opportunities and prosperity or emergence of new enterprises.[6] These obstacles include infrastructure deficits, skill mismatches, the slow adoption of new technologies, weak institutions, weak financial sector development and low levels of regional trade and integration. At the same time, the African continent has made considerable progress in aspects that are crucial for economic and social development. In particular, governance and business environment related areas, including the quality of macroeconomic policy and human capital development have improved significantly. Progress on health and literacy has also been remarkable.[7]

With well-targeted capital investments (physical and human) and policies fostering competitiveness and productivity, Africa's larger and younger workforce has the potential to transform the continent for the better.[8]

How Can Social Enterprise Contribute to Creating New and Better Jobs in Africa?

Across the African continent, institutions of the third sector – differing from both the private for-profit sector (market) and the public sector (state) – play a central role when it comes to market development, job creation, and supply of essential goods. Organizations of the civil society or development space, such as NGOS for instance, are important players in the labor market of African economies. However, expats and volunteers also provide a large part of the human resources that they need. Investments in local organizations and companies that are meant to stay, create new markets, and become durable employers for the local population are needed.Social entrepreneurship, as a phenomenon that can be located at the interstices of the private and the third sector, has caught the attention of African entrepreneurs, investors (global or local), and/or supporters. Given their reliance on social business models that are designed around revenue generation, social enterprises are often hailed as being inherently motivated to address societal needs in efficient, scalable and sustainable ways. From a job creation perspective, they are thus expected to create employment opportunities in areas that so far remain underdeveloped as they are not attractive for traditional commercial market players and thus dependent on volatile donation flows. Furthermore, social enterprises often explicitly aim at creating jobs or income opportunities for particularly vulnerable populations through innovative business models.

However, knowledge about the actual job creation potential of social enterprises in Africa – and elsewhere in the world – remains very fragmented and anecdotal. Quantitative research about social enterprises remains difficult, in part due to the lack of a common definition of social enterprises and thus the inexistence of robust databases that would allow for a larger scale investigation of the phenomenon.

About this Study

This study has approached the task of estimating the job creation potential of social enterprises in Africa and identifying job creating as well as job inhibiting factors in different country contexts. The selected countries are part of the Marshall Plan as a new partnership of the German Federal Ministry of Economic Cooperation and Development with Africa. In addition, economies with operational relevance for Siemens Stiftung have been added to the sample, namely Kenya, Nigeria, and South Africa. The results were used to derive specific recommendations for the development of technical and financial interventions that may significantly increase the number and the quality of jobs created by social enterprises in Africa.

In order to best present the amplitude of detailed information, the study is divided into three parts. Part I of the trilogy is the main report of the study, summarizing all findings and containing information about the objectives, the approach, and the recommendations that have been derived from the research. Part II of the series covers the detailed macro-level analysis of the individual countries in 12 elaborate profiles. Part III contains the analysis of five social enterprises from four different countries: MeshPower (off-grid electricity in Rwanda), Sesi Technologies (IT solutions for farmers in Ghana), Tebita Ambulance Prehospital Emergency Medical Services (healthcare services in Ethiopia), Taka-Taka Solutions (waste management in Kenya), and WASHKing (sustainable sanitation in Ghana). These case studies elaborate on job inhibiting and job creating factors and, thus, inform the study from a micro-level perspective.

Part I of the study is structured as follows: the overall approach of this study, which includes a theoretical model, case study research and a validation process with experts, is described in Chapter III. The chapter also includes definitions of the central terms used in this report as well as elaborations on the study's limitations given the lack of robust data about social enterprises in Africa and, thus, the need to refer to theoretical estimations and projections.

In Chapter IV, the macro-level results on social enterprises' job creation potential are summarized. Quantitative estimations about the number of social enterprises in the 12 focus countries as well as an assessment of their ecosystems - that is, the magnitude and strength of the financial and technical support as well as the conditions under which social enterprises work in their enabling environment - are presented in an overview, the complete presentation of which can be found in Part II of the study series. Finally, as the COVID-19 crisis started during the investigations of this study, the effect of the pandemic on the job creation potential in the focus countries is discussed.

To dive deeper and investigate the job creating and job inhibiting factors in social enterprises within the context in which they operate, an overview of the five case studies mentioned above will be presented in Chapter V: MeshPower (off-grid electricity in Rwanda), Sesi Technologies (IT solutions for farmers in Ghana), Tebita Ambulance Prehospital Emergency Medical Services (healthcare services in Ethiopia), TakaTaka Solutions (waste management in Kenya), and WASHKing (sustainable sanitation in Ghana). The complete elaboration of the respective case studies can be found in the third part of the study trilogy.

The results of the study have been aggregated to develop a general growth model of social enterprises in Africa. This model is outlined in Chapter VI, where the job creating and job inhibiting factors are consolidated for early stage and growth stage social enterprises.

Finally, Chapter VII presents the recommendations for development partners who seek to unleash the job creation potential of social enterprises. The recommendations are divided into ones that address players of the financial ecosystem, technical ecosystem, and enabling environment of social enterprises.

Who is the Target Group?

While social entrepreneurship ecosystems keep growing, and becoming stronger on a global level, the African context poses a particularly challenging context given the range and complexity of measures that are needed to promote social and economic development. This report includes a set of recommendations for diverse types of players who are summarized under the term “development partners.” Specifically, the report addresses any players who actively seeks to support the development of social enterprises, creation of job and income opportunities, the improvement of (social) business ecosystems, the achievement of the Sustainable Development Goals and overall social, environmental, and economic development in Africa. These players include: development organizations, supra-national institutions, foundations, NGOs, private sector companies, (impact) investors, technical support providers, national and local government bodies, and academics.

III.

Methodology & Approach

Overview

This study seeks to estimate the job creation potential of social enterprises (SEs) in Africa. To do so, the identification of job creating and job inhibiting factors in specific country contexts through macro- and micro-level analyses of social enterprises and their ecosystems are the essential components of the research endeavor. The aim of the study is to develop targeted recommendations for local and international players to help create more and better jobs in African social enterprises. SEs have received increased attention by international development organizations, researchers, the private sector, foundations and politics, among others. Nevertheless, systematic support of SEs remains a black box in many areas of the world. This is particularly due to the difficulties in gaining knowledge about this type of organization and their needs as they are usually not organized in formal associations or listed in central registers that clearly define the population of social enterprises. These difficulties are even more pronounced when looking at SEs in emerging or developing markets, where data is generally even more incomplete and scarce. Yet, their impact has been shown in many cases and there is an increasing consensus that they are highly needed as catalysts of innovation, social and economic development, and, last but not least, job creation.

Given the lack of existing comprehensive databases about SEs in Africa, empirical quantitative research to estimate their job creation potential would require highly time-intensive, large-scale studies. Such research - ideally organized in international networks which include local researchers - is highly needed. The authors of this study, however, chose to approach the estimation of social enterprises' job creation potential through theoretical modelling as a first step. To do so, proxies, particularly the size of the SME ecosystems, have been used to estimate the prevalence of social enterprises in the 12 focus countries. Furthermore, the expected number of jobs that social enterprise will provide until 2030 have been estimated based on historical data about job growth in the focus countries.

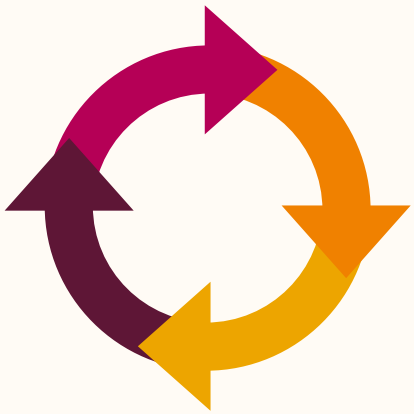
The countries considered in this study are Côte d'Ivoire, Ghana, Nigeria, Senegal, Egypt, Morocco, Tunisia, Ethiopia, Kenya, Uganda, Rwanda and South Africa – referred to as 'target countries' in this report.
Further details on the theoretical approach that underlies this study are explained in the next paragraphs.

Choosing the Best Approximation to Quantify Social Enterprises' Job Creation Potential

As researchers have repeatedly stated, compiling quantitative data about social enterprises is challenging for various reasons, even more when trying to create cross-country comparisons. One of the main reasons relates to the lack of a commonly accepted definition of the term "social enterprise", making it difficult to set clear boundaries for robust samples of organizations and the lack of existing quantitative databases about social enterprises.
Hence, the authors of this study developed a theoretical approach in four steps to estimate the number of social enterprises and their potential to create jobs in the target countries (see Figure 1).

1) SCREEN DEFINITIONS OF SOCIAL ENTERPRISES
- Compared e.g. EU and British Council definitions
- Common elements include revenue generation, social innovation, dominant social mission

2) CREATE SOCIAL ENTERPRISE DATABASE IN FOCUS COUNTRIES
- Organizations with social purpose, revenue generating, shared ownership structure
- Some survey data allows quantification of all three elements
- Look for proxies (i.e. sectors) where direct quantification not possible



3) MODEL JOB CREATION ESTIMATES
- Create quantitative model which estimates job growth over years and breakdown by sector in each country
- Estimate direct jobs and number of income opportunities for 'total job' number

4) CHECK AGAINST PRINCIPLES
- Fidelity to social enterprise definition
- Consistency between countries
- Quality data sources
- Simple methodology
- Comparable results to international benchmarks

Figure 1:
Four Steps to Approximate the Job Creation of Social Enterprises

1) Screen Definitions of Social Enterprises

Knowing that existing studies about social enterprises rely on different definitions, the authors of this study didn't include a strict definition of social enterprise when embarking on their research journey. Instead, they started with a screening of all social enterprise definitions that were used in the underlying studies. This screening revealed that most studies use broad definitions that don't explicitly categorize social enterprise as a phenomenon of the nonprofit or the for-profit sector. Instead, they outline core elements of social enterprise, particularly:
1) the generation of revenues through the sale of products or services, 2) a high degree of social innovation, 3) the dominance of the social mission over profit generation, 4) an organizational structure and governance that reflects the superiority of social objectives, e.g. in the form of principles of participation or employee ownership and the reinvestment of the largest share of financial surpluses in the further pursuit of the social mission.
These four elements were thus applied as cornerstones to create a social enterprise database as will be elaborated below.

2) Create Social Enterprise Database in Focus Countries

Survey data that allows for a quantification of social enterprises in the focus countries was sought. Wherever a direct quantification was not possible due to lack of existing data, adequate proxies were defined. In particular, the number of small and medium-sized enterprises (SMEs) was identified as an important proxy given the assumedly strong correlation between the prevalence of SEs and SMEs in a country. This assumption was made based on the expertise of the study's authors as well as selected experts and existing studies. It is also supported by the observance that social enterprise ecosystems strongly resemble ecosystems of commercial start-ups and SMEs in terms of support mechanisms, financing structures and products as well as jargon and mindset. Furthermore, many financial support mechanisms with philanthropic character, particularly grants and donations, are not limited to nonprofit organizations in Africa but often explicitly target social enterprises with for-profit legal structures. As reflected in this approach, social enterprises in this report are predominantly understood as organizations with for-profit legal terms. The case studies presented in Chapter V all correspond to this understanding and reflect the four core elements of social enterprises defined above. However, the authors are aware of the fact that this approach may not be applicable to other regional contexts and that social enterprises can also take the form of nonprofit organizations.

3) Model job creation estimates

As a basis for the estimation of job growth in social enterprises over the next 10 years, a quantitative model was created. Again, given the lack of empirical data about the number of SEs in a country and the number of jobs that they provide, on average, a theoretical model was developed.

4) Check against principles

Finally, the set of organizations identified in steps 1-3 was checked against a set of principles to ensure their fit to the study's purpose. These principles included:
- Fidelity to social enterprise definition
- Consistency between countries
- Quality of data sources
- Comparable results to international benchmarks

Following these four steps, two approaches have been developed and tested, namely a bottom-up and a top-down approach. When assessing the approaches regarding their suitability to give order of magnitude results comparable across countries, it was the latter, the top-down approach, which satisfied most aforementionedprinciples. The next paragraphs will further elaborate on the two approaches.

Bottom-up Approach

As a first approach to determine the job creation potential of social enterprises in the selected countries, existing survey data specifically relating to the study's focus was researched. In concrete terms, social enterprise rates in the target countries were sought to be used as a basis to extrapolate job creation estimates. Findings from this research pointed to data collected by the British Council, which surveyed 90-200 social enterprises in four African countries (Ghana, Tunisia, Ethiopia and Kenya), asking specifically for the number of employees.[9] This information was used to create an average for each social enterprise.

The estimated number of social enterprises were then multiplied by the average number of jobs per social enterprise to calculate the total number of jobs in 2020. For growth projections, the historical job growth rate for these four countries has been applied to calculate the total number of jobs in 2030.

The flaws of this narrow bottom-up approach for this study's purpose, however, are considerable. Not only is cross-country comparison limited due to the existence of data for four countries only, but so is, the number of social enterprises extrapolated based on a limited sample size (90-200 social enterprises) surveyed by the British Council. Hence, this approach was considered to provide rather weak results regarding their robustness.

Top-down Approach

The broad top-down approach was applied next, consisting of an iterative, multi-step methodology, meaning that data about social enterprises was sought, and, if not sufficiently available, complemented by related data sets that were used as proxies. The following paragraphs describe this journey, which included several steps back and forth whenever the findings that were derived from proxies that didn't seem reasonable compared to selected benchmark figures and the approach needed to be adjusted. With this, the approach started broad and was adjusted iteratively in an attempt to approximate a robust quantification of social enterprises in the focus countries in the best possible way given the type of data that was available. More specifically, this approach has been refined on an ongoing basis taking into account valuable feedback from social enterprise experts from Africa and internationally.

Top-down Approach in 4 Steps

Step 1:
Estimate number of SMEs as a proxy to estimate the number of SEs in the focus countries

The first step of the top-down approach consisted of estimating the number of SMEs in each country. Various sources were screened, including publications from national SME agencies, Oxford Business Group, and the Africa Development Bank, which provided a good basis for the calculation of social enterprises. Ultimately, the number of SMEs was always drawn from the most robust data source, mainly the World Bank[10] and National Census Institutes. To decide which data is more robust, different sources were compared, including their data collection approach and numbers were juxtaposed to other related indicators such as the total number of jobs provided by SMEs in a country.

Step 2:
Social enterprise factor

In order to account for the different maturity levels of the countries' social enterprise ecosystems, a second step was undertaken. For each country, a so-called social enterprise factor was calculated. The basis for this is a Global Social Enterprise Prevalence Rate (in relation to the number of SMEs in a country) that was then multiplied by a country specific Social Enterprise Maturity Factor (see Figure 2).

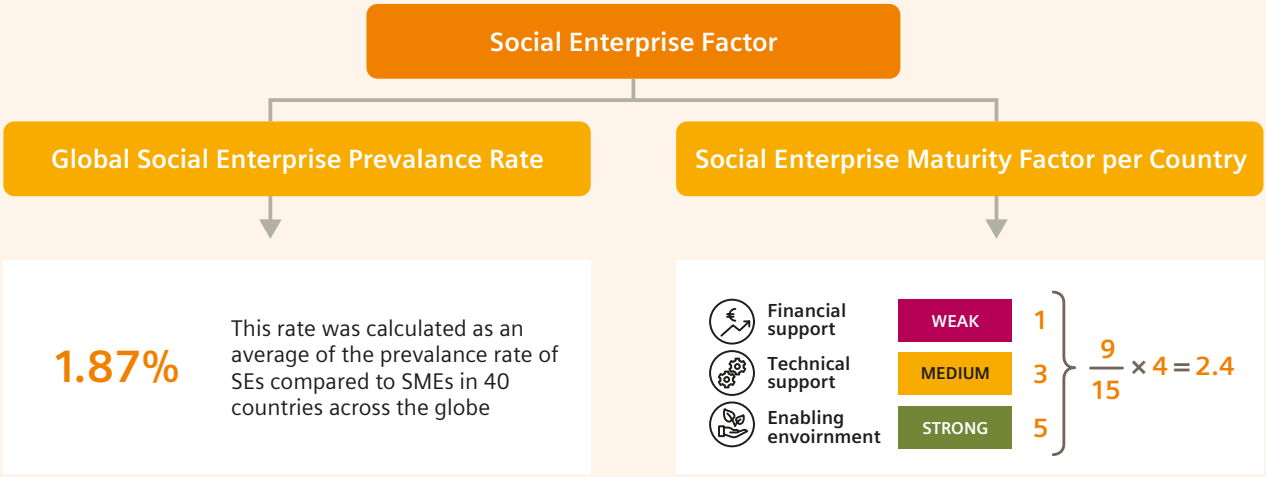


Figure 2
Calculation of the Social Enterprise Factor

Global Social Enterprise Prevalence Rate

Since a generally applicable social enterprise prevalence rate is not available, various approaches have been taken into account and checked with other experts from the field. The authors of this study finally calculated a social enterprise rate of 1.87% referring to the size of the social enterprise population compared to the size of the SME population in a country. This rate has been calculated as a global average of the social enterprise prevalence rate in 40 countries from Europe, Asia and Africa (see Appendix). Although this calculation has limitations given the diversity of input factors, the authors believe that it is the best possible proxy to calculate the number of social enterprises from a top-down perspective given the lack of further information. As mentioned earlier, this approach assumes that the prevalence rate of SEs is closely linked to the prevalence of SMEs.

Social Enterprise Maturity Factor

The global social enterprise prevalence rate has then been multiplied with a country specific maturity factor. The underlying assumption behind this step was that the global average prevalence rate of social enterprises had to be adjusted to account for the strength of a country's social enterprise ecosystem. Stronger ecosystems are expected to have a positive influence on the number of social enterprises in a country while weak ecosystems are expected to impede the emergence and the growth of social enterprises. In order to determine the maturity of a country's social enterprise ecosystem, various aspects that make it easier for social enterprises to grow were assessed, including financial support, technical support, and the enabling environment. These factors were each rated and categorized as weak (score of 1), medium (score of 3) or strong (score of 5) added together and calibrated by a factor of 4 to give a maturity factor. Figure 3 shows the criteria used to determine the strength of the ecosystems.

STRENGTH OF THE ECOSYSTEM			
	WEAK	MEDIUM	STRONG
Financial ecosystem	Insufficient capital available Inaccessible to most social enterprises (ticket size, type or rates)	Moderate amounts of capital available Some variety of types of capital Accessible to some social enterprises	Significant supply of capital Variety of types of capital Accessible to many social enterprises
Technical support ecosystem	Small network of technical support organizations Limited quality services Inaccessible to most social enterprises (geography or sector)	Moderate network of technical support Some quality services Accessible to some social enterprises	Robust network of technical support High quality, relevant services provided Accessible to many through geography and sector spread
Enabling environment	Inhibiting policy environment Poor business infrastructure Lack of tax incentives No industry body	Supportive general policy environment Some business infrastructure Neutral tax environment Budding or weak industry body	Specific supportive social enterprise policies Enabling business infrastructure Tax incentives Strong industry body

Figure 3:
Ecosystem strength assessment

Step 3:
Number of jobs in social enterprises

Having applied the social enterprise factor to the number of SMEs in each of the 12 target countries, the number of social enterprises in each country has been estimated. Based on this, the next step lied in determining the number of jobs that these social enterprises provide in 2020.

To do so, research was first undertaken to calculate the average number of jobs per SME in each of the 12 focus countries. This was used by searching for the total amount of jobs provided by SMEs per country. Sources used for this purpose included national SME agencies, the Oxford Business Group and the Africa Development Bank. Where no robust source could be found on the absolute number of jobs in SMEs in the focus countries, but the share of employment covered by SMEs (which could be found in each of these cases) was applied to the size of the working age population to arrive at the amount of jobs in SMEs. Finally, the total number of jobs covered by SMEs was divided by the number of SMEs in each country to arrive at the average amount of jobs per SME in each country (see Appendix).

The resulting average numbers were multiplied with the number of social enterprises to calculate the number of jobs by social enterprises in each country.

Given the high levels of informality[11] in African economies and the lack of robust and comparable firm-level data about formal or informal business activities in the focus countries, estimating the number of jobs that currently exist and projecting future numbers

is a challenge. The sources used to identify the number of jobs provided in SMEs differ in terms of their approach to estimate job data. However, they commonly mention the difficulties that carrying out this task entails. Most data on SMEs collected for this study was drawn from sources focusing on formal SMEs and formal employment. However, juxtaposing the numbers to other related indicators - such as the size of the labor force - in some cases raised doubts regarding the robustness of the data. This report explicitly stresses these insecurities in the corresponding sections or country reports.

Furthermore, it has to be noted that the jobs that social enterprises create don't fully reflect their impact on income generation in general. Given the social orientation of social enterprise missions and the fact that social enterprises often operate in markets that are not (yet) interesting for players who seek short-term profits, it can be assumed that social enterprises typically have an effect of generating significant additional "income opportunities". For instance, the number of customers and beneficiaries who are able to engage in increased economic activity because of products and services provided by social enterprises (for instance, a phone charging system using solar energy) could be considered when looking at the broader generation of income opportunities through social enterprises. Similarly, one could look at social enterprises that sell solar home systems in rural areas in emerging economies as another aid in income generation. Besides the direct jobs that are created through their operation, income opportunities for related services, including technicians or after-sale service providers who specialize in these newer industries can develop as a spill-over effect in the broader environment of the social enterprise. However, the authors refrained from trying to quantify these income opportunities as it is believed that a realistic approximation would need much more in-depth research.

Step 4:
Growth Projections

Having calculated the number of social enterprises in 2020 in each country as well as the average number of jobs per social enterprise, the final step to estimate the job creation potential of social enterprises in 2030 was undertaken.

As a basis for the estimation of job growth in social enterprises over the next 10 years, a quantitative model was created. Again, given the lack of empirical data about the number of SEs in a country and the number of jobs that they provide, on average, a theoretical model was developed. The historical job growth rates (2009-2019) were calculated for the 12 focus countries. As a starting point, the working population (age 15-64) in each country has been multiplied by the Employment to Population ratio in order to determine the number of employed people per country. The authors then used population forecasts for the year 2030 to calculate the number of employed people in 2030 based on the available historical Employment to Population ratio for each country.

Accounting for the effects of COVID-19 on projections

This study began during the start of the COVID-19 pandemic and used macroeconomic information available as of May 2020. It has to be noted that the COVID-19 crisis certainly has large effects on the job creation potential of all types of organizations in Africa, including social enterprises. First, COVID-19 caused direct job losses; second, economies are very likely to experience a reduction of their GDP growth and will differ regarding the speed at which they will recover from the pandemic. The "COVID-19 spotlight box" in Chapter IV discusses the mechanism of job losses, the expected job losses, and the most impacted sectors. It also discusses the possible recovery scenarios and the most impacted countries. However, these factors have not been included in the quantitative model of the present study as the data on each of the twelve countries was not available at the time of writing.

Case Study: Research Approach

To further understand the job creating potential of social enterprises in Africa, five case studies on social enterprises spread across four countries in Africa were carried out, namely in Ethiopia, Ghana, Kenya, and Rwanda. They covered investigations about the business model, the financial model including projections and an analysis of the job creation potential of the five social enterprises. The case studies were conducted in a three-pronged approach:

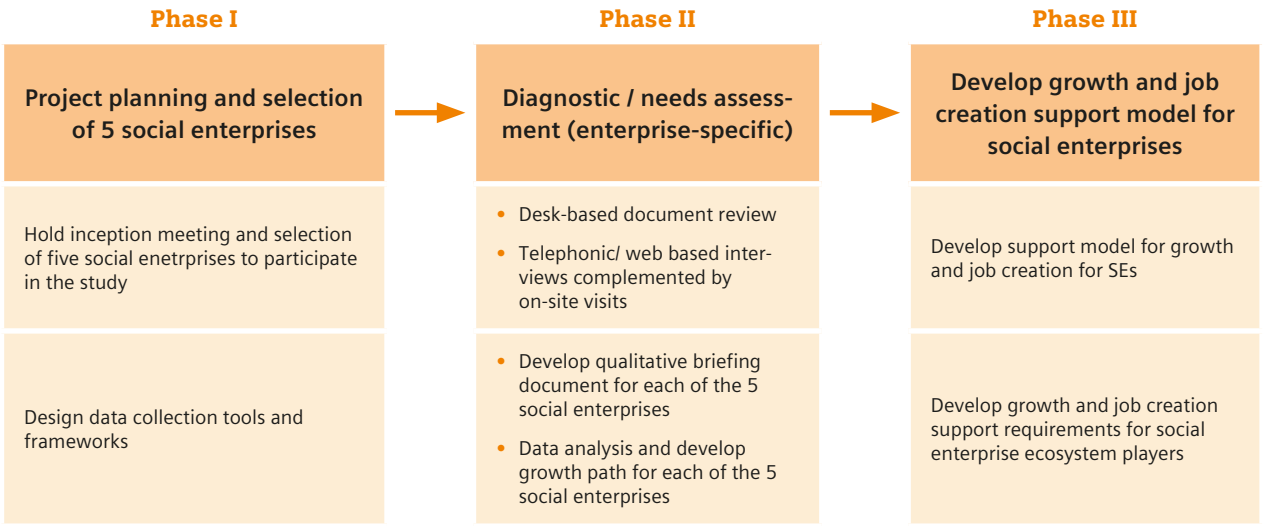


Figure 4:
Overview of Case Study Approach

Phase I: Project planning and selection of SE case studies

Selection of the case studies' enterprises

To start with, organizations that fit the definition of social enterprises in this study were sought in the focus countries. Using a framework that tried to diversify the geographical focus, the sector, the size of the company, the growth potential and the employment impact, a long list of over 800 enterprises was created (see Figure 5). After extensive discussions with 14 enterprises who qualified for the study, collaboration agreements for this study were closed with five social enterprises. The list of social enterprises as well as short versions of the case studies can be found in Chapter V.

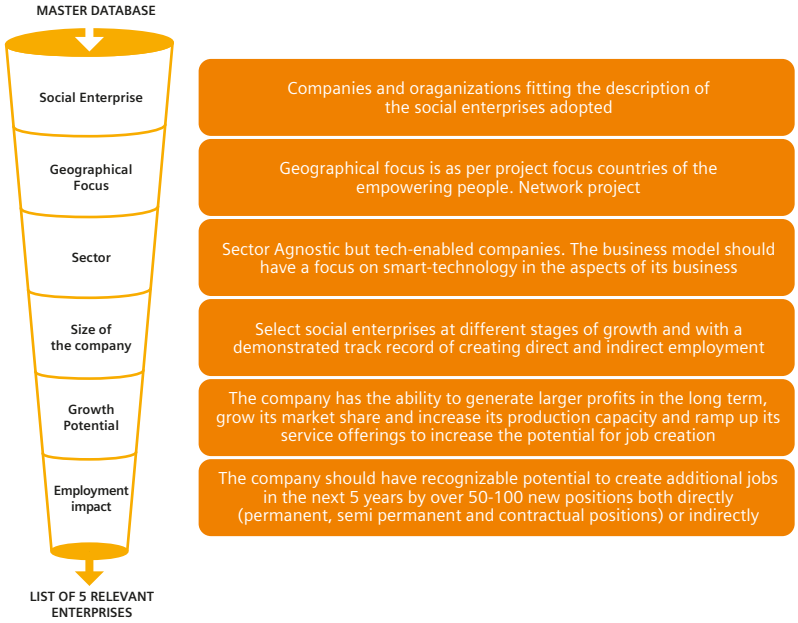


Figure 5:
Framework for the description of Social Enterprises

Development of data collection tools

Data collection tools were developed and used to understand the selected case study companies, including a data request excel based tool that was used to collect relevant quantitative data with regards to human resource and employability metrics from each of the selected social enterprises. These tools were designed to capture information on some of the thematic areas of the SEs including:

Thematic area	Sub-themes
Business and operating model	• Operating model • Product and services offered • Competition • Supply chain • Effects of COVID-19 on the business and operating model
Market geography and customer segment	• Customer segments • Marketing channels • Effects of COVID-19 on market geography and customer segments
Growth strategy and models	• Growth plans and growth model
Financial needs and revenue model	• Revenue streams & model • Cost structure • Capital requirement • Effects of COVID-19 on financial needs and revenue model
Governance & human capital	• Governance systems • Employee profiles, recruitment & retention • Employee compensation and incentive scheme • Employee training and mentoring • Effect of COVID-19 on human resources
Ecosystem conditions, perceptions and partnerships	• Business support services • Access to new partnerships and networks
Policy and business environment	• Legal and regulatory compliance and challenges • Research and development

Figure 6:
Data collection tools

Phase II: Development of qualitative briefing document including growth paths

In order to analyze the quantitative and qualitative aspect of the SEs, a two-pronged approach to collect data was adopted.

Desk – based document review

This first step included a comprehensive desk review of all relevant strategic documents, operational data, and financial statements that the SEs had shared. This was done in order to understand the core capacities and strengths of the enterprise as well as areas of improvement in relation to strategy and growth, human resource management, market positioning and branding, financial performance and sustainability. Further, a desk-based review of publicly available secondary data resources was conducted to understand and analyze the market environment in relation to social enterprises and job creation in the different countries in which the SEs operated.

Telephone/webbased interviews complemented by on-site visits

Due to the restriction on movement brought about by the COVID-19 crisis, some of the key informant interviews with key stakeholders such as board members and senior management team were conducted virtually. This was done to gather their feedback on information revealed from the desk review and also understand the vision and strategy for the enterprise.

For the on-site field visits, local partners were hired to speak to staff memberson the ground, gauge employee satisfaction, assess execution capabilities of the enterprise and gain first-hand experience of the enterprises' products/services. Furthermore, key customers and suppliers of the SEs were approached in order to develop an holistic understanding of the model, the key constraints and opportunities.

Data analysis and growth path design

After the collection of data from both the secondary and primary research, data was analyzed and categorized into quantitative and qualitative as shown in the figure below.

QUANTITATIVE

Focus Area	Parameters
Job Creation (Full time, Part time, Outsourced)	Growth in number of employees across the selected enterprises
Increase in income	Growth in salary levels of employees across the selected enterprises
Revenue Growth	Growth in revenues across the selected enterprises
Profitability	EBIDITA across the selected enterprises

QUALITATIVE

Focus Area	Parameters
Board and Governance	Board expertise and responsibilities, vision of the board, level of commitment
Strategy	Vision, mission, values, strategic alignment and focus, product and channel strategy, HRM Strategy, Strategic partnerships
Human Resource Managment	Management and staff experience and qualification, orginizational structure, retention and attribution, training needs, roles and responsibilities
Products and Services	Core product offering, target market definition, market differentiation and competitor annalysis, revenue model branding and marketing strategy, customer perception

Figure 7:
Data analysis and growth path design

Subsequently, individual case study documents capturing the qualitative business model and the quantitative financial model of each social enterprise were developed, together with their individual growth plans. The growth aiding factors, job inhibiting factors, job creation and social outcomes were identified for each of the SEs.

Phase III: Develop growth and job creation support model for social enterprises

Based on the findings obtained from each of the case studies, the growth models that they intend to adopt, and our overall experience, a generic growth model for SEs was developed. This growth model differentiated between enterprises in the early or growth stages of their evolution and identified key drivers of growth for enterprises in these stages across the short-, medium- and long- term. On the basis, levers for supporting economic sustainability and job creation potential of these enterprises as they grow and scale were identified.

Validation of Findings and Remaining Limitations

Given the lack of comprehensive datasets about social enterprises in the focus countries and the need to approximate the topic of interest, namely the job creation potential of social enterprises, the authors of the present study acknowledge the risk of remaining inaccuracies that this approach implies. Several validation loops were thus inserted in the process to improve the validity of collected data and conclusions drawn from the interpretation of data.

The 12 country profiles, mainly elaborated through desktop research and theoretical modeling, were exposed to valuable feedback from experts with know-how about local social enterprise ecosystems. Various recommendations that were formulated based on overall findings (macro-level and case-study research) were challenged by experts in the financing, policy-making, or academia sectors respectively.

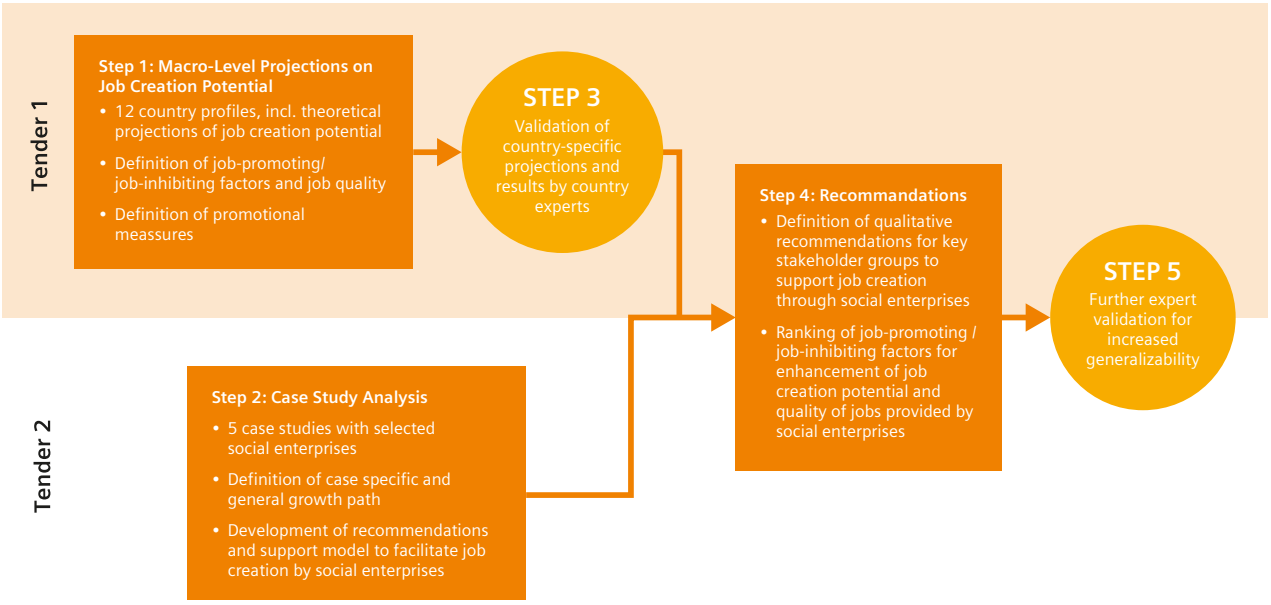


Figure 8:
Validation Process of Research Results

However, it has to be noted that limitations to this study's findings remain:

Assumptions behind the theoretical model

The theoretical model of the top-down approach was developed based on various assumptions, including the correlation between SME prevalence rates and SE prevalence rates as well as the correlation between ecosystem strength and SE prevalence. These assumptions may certainly be contested.

Definition of social enterprises

The definition of social enterprise used in this study may differ from definitions used by other researchers or institutions. Particularly when comparing findings of different studies, it is important to be aware of these differences in the field of social enterprise. Also, social enterprises in Africa may differ from social enterprises in other regions.

Quality of available data

The desktop research undertaken for the present strongly relied on data collected by third parties. Although the authors sought to ensure that they used the most robust and comparable data, it has to be noted that data quality is overall weak overall when it comes to investigating social enterprises, SMEs, or jobs in African economies. In particular, the topic of informality puts significant barriers on realistically assessing the aforementioned phenomena.

Sample size

While the validation process described above increased the ability to generalize findings and recommendations, the size of the sample that was used for this study remains small. Further research is needed to test the hypotheses and the growth model developed, and to finish, complement or differentiate the recommendations. In particular, investigations that diversify relevant variables such as the sectors and the size of social enterprises and their business models etc., are needed.

» In order to know what types of policies reap benefits in different contexts, we need more, better and larger-scale quantitative studies that provide a robust assessment of the situation. Social entrepreneurship is a complex phenomenon involving interactions with a variety of stakeholders, and to see how it may affect job creation (directly or indirectly) in emerging markets we require studies that reveal how and to what extent individuals identify, evaluate and pursue opportunities to tackle societal challenges based on the context they operate in. «

Dr. Niels Bosma, Associate Professor
Entrepreneurship at Utrecht University & Board Member
of Global Entrepreneurship Association

IV.

Country Profiles

A Macro Perspective on Social Enterprises' Job Creation Potential in 12 Selected African Countries

An Overview of Social Enterprise Ecosystems Across 12 African Countries

This section provides a summary of the study's findings on the estimated job creation potential of social enterprises and an analysis of the supporting ecosystem in 12 countries across Africa. As described in Chapter III, a theoretical quantitative model was built to inform the country profiles, which allowed review of the total numbers across all countries and sectors.

Overall, this study estimates that social enterprises in the target countries could create 1 million additional direct jobs in the next 10 years, resulting in a total of approximately 5.5 million direct jobs in social enterprises by 2030. The following paragraphs will present the total numbers, highlight specific findings by country and by sector and assess each country's ecosystem.

Job Creation Potential

As described earlier, the first step in approximating the job creation potential of social enterprises was to look at the prevalence of SMEs in each country as a proxy for the prevalence of social enterprises. Through research of existing data in all 12 countries, a total of nearly 50 million SMEs was calculated for 2020. It has to be noted that the large majority, namely 37 million, or nearly 75%, of these SMEs are located in Nigeria.[12]

Country demographics, job numbers, and expected increase per country

As a next step, the number of jobs directly created in social enterprises was estimated for 2020. It has to be noted that the average number of jobs per social enterprise varies significantly which might reflect different approaches and/or a variation in the quality of data in general for the 12 target countries (see Appendix for more information).

REGION	COUNTRY	WORKING AGE POPULATION 2020[13]	NUMBER OF SOCIAL ENTERPRISES 2020	DIRECT JOBS IN SE 2020	DIRECT JOBS IN SE 2030	DIRECT JOBS ADDED
WEST AFRICA	Côte d'Ivoire	14.7m	9.1k	33k	42.4k	9.5k
	Ghana	18.5m	97.5k	413.3k	508.8k	95.5k
	Nigeria	110.9m	1,291k	1,452k	1,884k	432.1k
	Senegal	9.1m	16.5k	78.8k	104.9k	26.1k
NORTH AFRICA	Egypt	62.1m	134.6k	1,188k	1,421k	233.3k
	Morocco	24.2m	49.2k	155.3k	170k	14.7k
	Tunisia	7.9m	33k	48.1k	50.9k	2.8k
EAST AFRICA	Ethiopia	64.9m	27.9k	42.7k	55.6k	12.9k
	Kenya	31.7m	85.6k	345.1k	444k	98.8k
	Rwanda	7.4m	4.3k	18.3k	23.3k	5k
	Uganda	23.8m	27.4k	62.3k	86.1k	23.7k
SOUTHERN AFRICA	South Africa	39.0m	141.5k	589.9k	666.6k	76.7k
	TOTAL	781.1m	1.92m	4.43m	5.46m	1.03m

Figure 9:
Estimated country demographics, number of social enterprises, job numbers (2020 and 2030) and the expected increase per country

As Figure 9 shows, this study estimates that social enterprises in the focus countries currently provide 4.43 million direct jobs. Again, Nigeria accounts for the biggest share (35%) with 1,188,000 estimated jobs in 2020.
The final step of this study's theoretical model was to estimate the job creation potential of social enterprises by projecting the number of jobs created based on an analysis of historical job growth in the focus countries. The findings show that three countries stand out in terms of estimated absolute numbers of additional jobs created until 2030 - namely, Nigeria (432,000), Egypt (233,300), and Kenya (98,800).

Sector distribution of job creation potential
This study didn't quantify the number of jobs that could be created in each sector as robust data for such a projection is not available. However, given the GDP distribution within the countries, the sectors that contribute the most to economies (excluding extractives) have been identified. Across the countries, these sectors are agriculture, affordable housing, and manufacturing. It can't be asserted that these will also be the sectors in which social enterprises create the most jobs. However, it can be assumed that they will also include significant social enterprise activity.

Agriculture is the largest sector in most of the target countries, contributing to >15% of the GDP in seven of them and providing employment to 54% of the working population.[14,15] This has led to support from governments and other development organizations towards the sector in the respective countries. For example, in Ethiopia, the government provides funding and technical support through its Growth and Transformation Plan II.[16] In Ghana, the government provides high quality inputs to smallholder farmers through its 'Planting for Food and Jobs' initiative.[17] These measures are **expected to increase smallholder farmer productivity** and **provide the capital required for agricultural social enterprises to scale,** creating more jobs and income opportunities.

Population growth and rapid urbanization have **increased demand for affordable housing,** which governments are trying to solve in collaboration with the private sector. This is likely to drive direct job growth in this sector as more social enterprises engage in the development of affordable housing. Though government programs such as the National Development Plan 2016-2020 in Kenya and the First Home Program in Tunisia are geared towards increasing the availability of low-cost housing, supply is still insufficient.[18] Private developers, such as social enterprises, are expected to supplement this supply through private-public partnerships (PPPs) with governments to develop low-cost housing, as is the case in Kenya through the National Development Plan 2016-2020.[19] Affordable housing businesses receive funding and technical support through these PPPs which enable them to sustain and scale their operation to create jobs.

Manufacturing is also one of the largest sectors, contributing to >10% of GDP in six of the target countries. The sector is also expected to catalyze growth in other sectors including agriculture through demand for raw material (e.g. food and beverage processing and textile subsectors) and affordable housing through increased demand for low-cost housing from factory workers. Due to its importance, the sector has attracted government support as different countries focus on industrialization. Governments have played an enabling role including **facilitating access to finance** (e.g. Morocco) and **infrastructure development** including rural electrification and road construction (e.g. Ghana). These interventions are expected to encourage the creation and scale of small- and medium-sized enterprises (SMEs), including social enterprises in manufacturing which could then employ more people.

SPOTLIGHT BOX:

The Spread of COVID-19 in the Focus Countries

There is clear evidence that the COVID-19 crisis pandemic has far-reaching effects on economic growth and labor markets in Africa, like elsewhere in the world. For social enterprises, the effects of COVID-19 can become challenging in two ways. Firstly, the security measures and contact restrictions that have been put in place in most countries require social entrepreneurs to significantly adapt their business models. Secondly, the social target groups of social enterprises, such as marginalized communities or other underprivileged people are most likely to be negatively affected by COVID-19, increasing the need for their products and services even more.

As IMF projections on GDP growth show, **Nigeria, Morocco, Tunisia, and South Africa are projected to be most impacted by COVID-19 as their economies are expected to contract.** Nigeria is a major oil exporter and its economic contraction is further driven by plunging oil prices that have hit an 18-year low of less than 20 $US per barrel.[20] Morocco and Tunisia are food and non-oil commodity exporters and the decline in prices of commodities like base metals is expected to drive their economic contraction.[21] Other unique factors such as structural constraints in South Africa, policy adjustment in Ethiopia, and locust invasions in East Africa are expected to compound the impact of COVID-19 on various economies. All these economic effects are expected to reduce the job creation potential of businesses, including social enterprises, at least in the short term. Uganda's economy is expected to be least impacted by the pandemic with a GDP growth change of -2.6%. This is because Uganda is not heavily reliant on commodity exports and worsening global financial conditions leading to higher interest rates will not likely impact the nation severely as it does not have a Eurobond issue.[22] The impact of COVID-19 on overall economic growth rates is discussed further below.

Expected job losses from COVID-19

To further understand the impact of COVID-19 on job creation potential in the target countries, it is important to consider expected job losses from the pandemic. In April 2020, McKinsey projected that 9-18 million jobs would be lost on the continent because of COVID-19, and 30-35 million jobs were at risk of wage reduction.[23] Restriction of movement, business closures, and disruption of supply chains, were cited by analysts as the three primary reasons for increased job losses and job insecurity.

Sector-specific job losses

Organizations such as the African Union have researched the expected impact of the pandemic on expected job losses in various sectors across African countries. Although it is not possible to break down this research at an individual country level, the continental picture highlights sectors that are both particularly vulnerable and estimated to generate social enterprise jobs, including tourism, manufacturing, agriculture and export related industries.

Expected job losses in the informal sector

COVID-19 is also projected to have a significant impact on the informal economy which includes smallholder farmers. **Approximately 100 million informal jobs in Africa are at risk because of the pandemic.**[24] The informal sector accounts for 92.4% of employment in West Africa, 91.6% in East Africa, 67.3% in North Africa, and 40.2% in Southern Africa.[25] On average, 71% of all jobs in the target countries are in the informal sector.[26] The estimated job losses were driven by reduced demand as consumers had lower incomes and lack of access to markets because of restrictions of movement.[27,28] Given the nature of the informal economy, detailed estimates on the expected job losses, sectoral breakdowns of the same, and the impact on macroeconomic factors such as GDP growth are not widely reported.

Post-COVID-19 recovery scenarios

Deloitte created three possible recovery scenarios to project how countries could return to growth after the initial economic shock from COVID-19. How quickly economies recover depends on the effectiveness of containment measures to curb transmission of the disease and the effectiveness of fiscal and monetary policies to limit the economic impact. 2020 GDP growth rates in Sub-Saharan Africa and North Africa are expected to decline to -1.6% and -2.5% from 3.6% and 4.0% respectively.[29] Economies are expected to begin recovery in 2021, with average growth rates of 4.1% and 3.4% in the two regions.[30, 31]

REGION	COUNTRY	PRE-COVID-19 GDP GROWTH RATES (2020)[32]	POST-COVID-19 GDP GROWTH RATES (2020)[33, 34]	POST-COVID-19 GDP GROWTH RATES (2021)[35,36]
West Africa	Côte d'Ivoire	7.4%	2.7%	8.7%
	Ghana	6.3%	1.5%	5.9%
	Nigeria	1.9%	-3.4%	2.4%
	Senegal	6.0%	3.0%	5.5%
North Africa	Egypt	5.6%	2.0%	2.8%
	Morocco	2.9%	-3.7%	4.8%
	Tunisia	2.0%	-4.3%	4.1%
East Africa	Ethiopia	7.4%	3.2%	4.3%
	Kenya	6.3%	1.0%	6.1%
	Rwanda	8.6%	3.5%	6.7%
	Uganda	6.1%	3.5%	4.3%
Southern Africa	South Africa	0.4%	-5.0%	4.0%
	AVERAGE	5%	0.3%	5%

Figure 10:
Pre- and post-COVID-19 GDP growth projections

Social Enterprise Ecosystems

The study also assessed social enterprise ecosystems in the target countries by analyzing major factors expected to influence job creation by social enterprises. These factors include the state of the financial and technical ecosystem, as well as the enabling environment and their possible impact on job creation (see Chapter III for further details on the assessment criteria).

As the assessment of social enterprise ecosystems shows, countries differ regarding the strengths of the financial and technical support that is provided to social enterprises as well as the conduciveness of the environment in which they operate. This was reflected in the social enterprise maturity factors that were calculated for each country.

In two of the focus countries, the ecosystem is mostly weak, with social enterprises having limited access to capital and the appropriate technical support to enable them to scale and create jobs. Nigeria is one of the countries with an ecosystem of medium strength, but at the same time accounts for the highest number of SMEs. As mentioned earlier, this is mainly due to the fact that the country introduced an improved data collection process and thus reports having nearly 37 million SMEs.[37]

Additionally, seven of the 12 countries lack a social enterprise industry body that would lobby for social enterprise-specific policies, e.g. low taxes. The ecosystem in South Africa is the only one that has been assessed as being mostly strong. Here, social enterprises have access to diverse sources of funding and technical support organizations.

The differences in the ecosystems is reflected in their social enterprise factor (see respective country profiles for more information). In Uganda, for instance, where social enterprises have little access to finance, moderate technical support and a weak enabling environment, a comparably low social enterprise factor of 1.9 was calculated, corresponding to roughly 27,400 social enterprises in 2020. On the other end of the spectrum, in South Africa, where social enterprises have access to a range of technical support providers and a well-developed enabling environment, it was estimated that the number of social enterprises amounted to 141,500 in 2020. Figure 11 shows the assessment of all focus countries' social enterprise ecosystems.

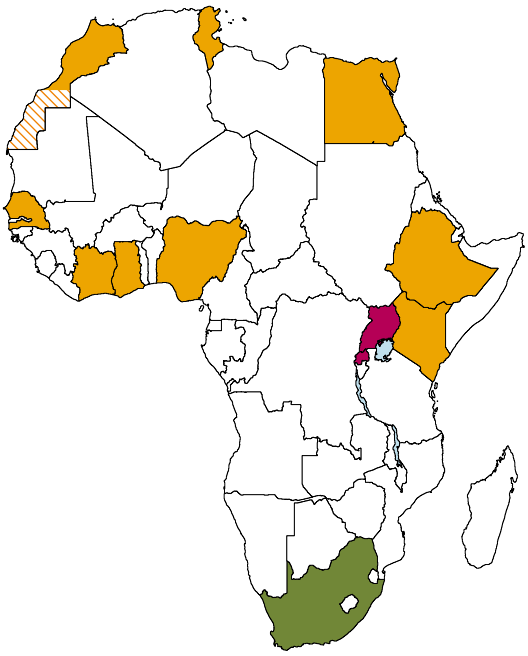


Figure 11:
Overall ecosystem strength in the target countries

Financial ecosystem

While evaluating the financial ecosystem, this study considered the availability and accessibility of capital to social enterprises, including the type of capital available, size of capital deployed, and interest rates. Social enterprises may particularly struggle to access available traditional commercial funding and despite significant amounts of impact capital available, funds are often deployed in large ticket sizes. Often early-stage social enterprises need small amounts of patient or philanthropic capital to start growth and job creation.

Traditional funding e.g. through commercial banks and microfinance institutions (MFIs) is the dominant source of funding in the target countries. However, most social enterprises are not able to access this funding due to stringent terms such as high collateral (more than 200% of the loan) and interest rates required.[38] This leads to limited debt financing options for social enterprises which limits their ability to create jobs.

To supplement available traditional funding, there are **significant volumes of impact capital deployed across the 12 countries** e.g. USD 852 million was deployed in West Africa in 2015.[39]

However, this capital is often deployed in large ticket sizes of USD 500,000 to USD 5 million and also includes impact investments with market rate return expectations.[40] This locks out many social enterprises, whose financing needs typically are smaller (e.g. ~USD 20,000 for social enterprises in Ghana), from accessing impact capital which could be used to scale the businesses, enabling them to create jobs.[41]

Crowdfunding and diaspora remittances are also available and could provide additional options for social enterprises to access capital. In Côte d'Ivoire, crowdfunding platforms such as Seekewa enable the diaspora (USD $379 million remitted in 2017) to invest in local enterprises including social enterprises.[42]

In Egypt, angel investors such as Cairo Angels invested more than USD $ 2million in 2017 in businesses, including social enterprises.[43]

Technical ecosystem

In determining the strength of the technical ecosystem, this study examined the number of support organizations, quality of services offered, and accessibility to social enterprises in different geographies and sectors.

There is an **emerging network of technical support organizations** with more than 450 support entities in the target countries, including accelerators, incubators, and hubs. These organizations provide a wide range of services including mentorship, business development, training, workshops, and networking opportunities. However, it is noted that very few support organizations provide investment readiness support (e.g. 11% in Rwanda) hindering the ability of social enterprises to engage investors who could provide the capital required to spur job growth during fundraising rounds.[44]

In addition, **technical support providers are concentrated in urban areas** across the target countries, likely limiting awareness of support services by social enterprises in other areas. These social enterprises struggle to access skills and support that could allow them to scale and create jobs.

Enabling environment

In evaluating the strength of the enabling environment, this study considered the business policy environment, supporting business infrastructure, tax laws, and the presence of an industry body. Most of the countries do not have a social enterprise industry body which is expected to limit their ability to advocate for targeted policies (e.g. low taxes) that could enable social enterprises to create jobs. Furthermore, most of the countries rank poorly in the Ease of Doing Business index.

Small- and medium-sized enterprises (SMEs) and private sector industry bodies exist across the target countries. However, **only five of the countries (Ghana, Ethiopia, South Africa, Tunisia, and Kenya) have social enterprise industry bodies.** The lack of social enterprise industry bodies in seven of the target countries could limit the ability of social enterprises to advocate for enabling policies, including tax exemptions that consider both their social impact and profit-seeking nature.

Of the 12 target countries, seven offer tax exemptions to SMEs including social enterprises e.g. Tunisia offers a tax exemption for the first four years of operation and three offer tax incentives.[45] These tax exemptions promote the growth of social enterprises but there is need for further investor tax incentives that could promote the deployment of capital.

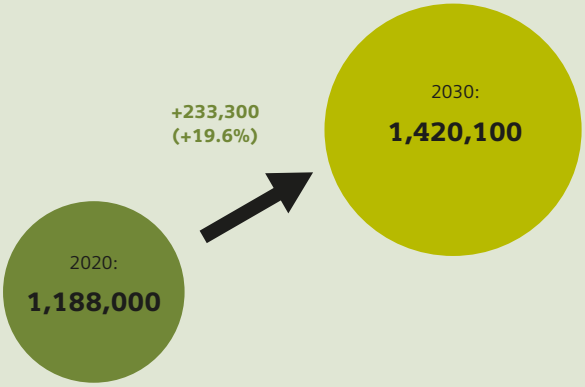
In terms of the business environment, **most countries rank poorly in the Ease of Doing Business index,** with seven countries attaining a score of more than 100 due to the high costs of setting up businesses, including social enterprises (e.g. USD $ 6,150 to acquire an LLC license in Senegal) and low electrification rates (45% in Nigeria).[46, 47] However, measures taken by the government have resulted in improved ranking in 10 countries. Reforms in business registration procedures and increased access to electricity have contributed to ease increased productivity and reduction in costs for businesses, including social enterprises, that could allow them to create jobs. Persistent power outages in some countries such as South Africa and expensive tax laws in others including Ghana have resulted in a decline in ease of doing business. These factors could increase the cost of operations for social enterprises, likely limiting their ability to create jobs.

To further analyze the social enterprise ecosystems in more detail, detailed profiles of the 12 targeted countries were compiled. The following section gives an overview of those profiles, while the elaborated versions can be found in Part II of the trilogy.

Egypt

Number of SEs 2020: 135,000
Prevalence rate SE/SME: 5,5%
Ease of Doing Business Ranking: 114 of 190 economies
Human Development Index: 0.700 (high)

Estimated number of direct jobs in SEs:



Assessment of Social Enterprise Ecosystem in Egypt:

Medium
Financial ecosystem
- Major source of funding: private equity capital, government funding, crowdfunding, and other alternative sources of funding.
- USD $46.7 billion funding gap for micro-, small- and medium-sized enterprises due to limited impact investment.

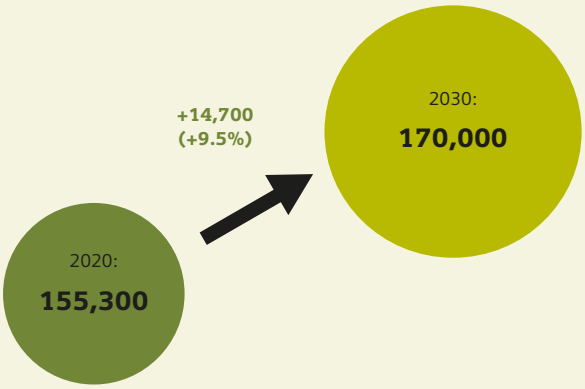
Strong
Technical support ecosystem
- Network of more than 55 technical support organizations, mainly located in Cairo.
- Limited support to social enterprises outside of Cairo.

Medium
Enabling environment
- Enabling factors: SME lending policies, tax exemption for NGOs, MSME advocacy body, 100% electrification rate.
- Inhibiting factors: Prohibition fundraising commercial capital, slow internet, lack of tax exemption for SEs, lack of SE advocacy body.

Morocco

Number of SEs 2020: 49,000
Prevalence rate SE/SME: 3.5%
Ease of Doing Business Ranking: 53 of 190 economies
Human Development Index: 0.676 (medium)

Estimated number of direct jobs in SEs:



Assessment of Social Enterprise Ecosystem in Morocco:

Weak
Financial ecosystem
- Financial support from the government and international development organizations (e.g. the World Bank) for MSMEs - not explicitly, but potentially accessible for SEs.
- MSME funding gap of USD $36.7 billion as sources other than banks and microfinance institutions are either inaccessible or deployed in large ticket sizes.

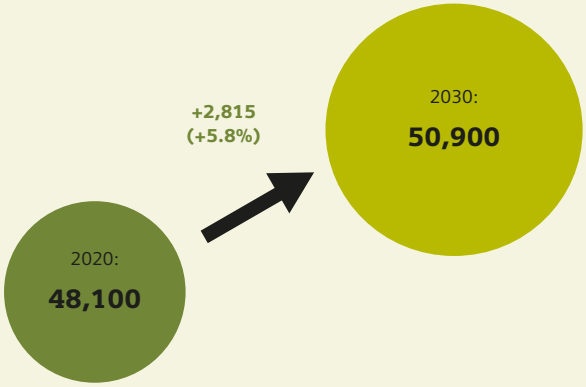
Medium
Technical support ecosystem
- Strong network of more than 30 technical support organizations and NGOs.
- Lack of technical and educational support for entrepreneurs in (rural) areas outside of major cities.

Medium
Enabling environment
- Growth-promoting tax incentives.
- Government policies favor state-owned enterprises and enterprises supported with foreign investment.

Tunisia

Number of SEs 2020: 33,000
Prevalence rate SE/SME: 5.5%
Ease of Doing Business Ranking: 78 of 190 economies
Human Development Index: 0.739 (high)

Estimated number of direct jobs in SEs:



Assessment of Social Enterprise Ecosystem in Tunisia:

Medium
Financial ecosystem
- Profit rather than impact-oriented investors, although the number of impact investors is growing.
- Still, restricted access to capital since the social business concept is relatively unfamiliar.

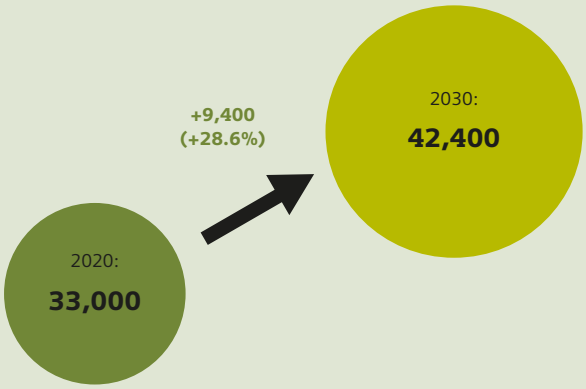
Medium
Technical support ecosystem
- Strong network of 60 support organizations offering high-quality services also to social enterprises in rural areas.
- However, limited long-term technical support to non-grant-funded interventions.

Strong
Enabling environment
- Well developed energy and human resources infrastructure.
- National social enterprise industry body.
- Limited internet speeds.
- No social enterprise specific policies.

Côte d'Ivoire

Number of SEs 2020: 9,133
Prevalence rate SE/SME: 4.5%
Ease of Doing Business Ranking: 110 of 190 economies
Human Development Index: 0.516 (low)

Estimated number of direct jobs in SEs:



Assessment of Social Enterprise Ecosystem in Côte d'Ivoire:

Medium
Financial ecosystem
- Third-largest recipient of impact capital in West Africa.
- However, investment is mainly deployed in industries that contain fewer social enterprises.
- Limited access to capital due to informal structure of most social enterprises.

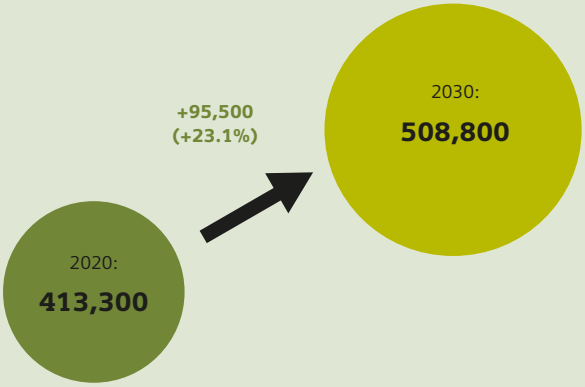
Medium
Technical support ecosystem
- Emerging network of 22 technical support organizations, however, concentrated in Abidjan.

Medium
Enabling environment
- Tax incentives in agriculture and healthcare support social businesses of these sectors.
- High payroll taxes for foreign investors, delayed implementation of business enabling policies, high level of corruption, missing social enterprise lobby.

Ghana

Number of SEs 2020: 97,500
Prevalence rate SE/SME: 5.5%
Ease of Doing Business Ranking: 118 of 190 economies
Human Development Index: 0.596 (medium)

Estimated number of direct jobs in SEs:



Assessment of Social Enterprise Ecosystem in Ghana:

Medium
Financial ecosystem
- Source of capital is mainly restricted to grant funding.
- Impact investment is targeted to larger ticket sizes (USD $500,000), locking out early-stage, high-growth social enterprises.
- High collateral and interest rates for commercial debt terms.

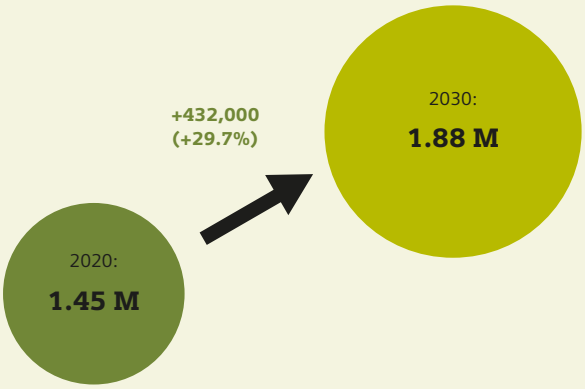
Medium
Technical support ecosystem
- Vibrant technical support network consisting of 153 organizations.
- However, services are skewed towards early-stage businesses.

Strong
Enabling environment
- Social business enabling policies, and well developed power and communications infrastructure.
- National social enterprise industry body, which is, however, not lobbying for social enterprise specific policies.

Nigeria

Number of SEs 2020: 1.20 million
Prevalence rate SE/SME: 3.5%
Ease of Doing Business Ranking: 131 of 190 economies
Human Development Index: 0.534 (low)

Estimated number of direct jobs in SEs:



Assessment of Social Enterprise Ecosystem in Nigeria:

Medium
Financial ecosystem
- Remittance, foreign aid, and government support only cover for 14% of the USD $158.1 billion funding gap for SMEs.
- Impact capital is difficult to access, as most impact funds are located outside of Lagos.

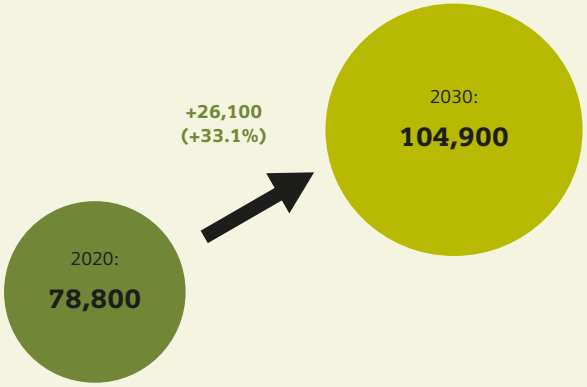
Medium
Technical support ecosystem
- Strongest technical support system of West Africa, consisting of 90 organizations.
- Most of the support is skewed towards tech-enabled social enterprises, limiting support to other key sectors.

Weak
Enabling environment
- Restrictive taxes on investor returns.
- Low ranking in terms of ease of doing business, stringent currency controls, no social enterprise industry body.

Senegal

Number of SEs 2020: 16,500
Prevalence rate SE/SME: 5.5%
Ease of Doing Business Ranking: 123 of 190 economies
Human Development Index: 0.514 (low)

Estimated number of direct jobs in SEs:



Assessment of Social Enterprise Ecosystem in Senegal:

Strong
Financial ecosystem
- Larger funding options for smaller ticket sizes from DFIs and impact investors.
- Commercial debt terms are often inaccessible for SMEs due to high collateral requirements.

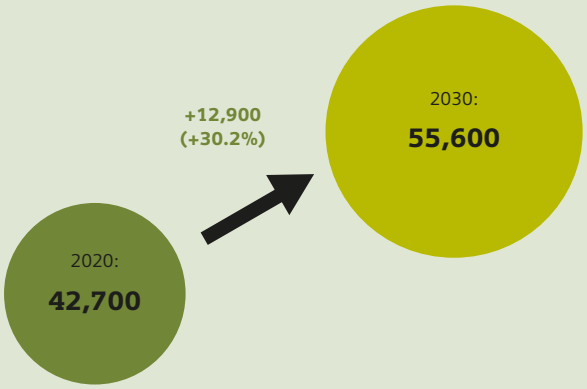
Medium
Technical support ecosystem
- Emerging ecosystem of technical support providers, however, mainly focusing on tech-focused businesses.

Medium
Enabling environment
- Funding support and SME-favoring policies.
- High urban electrification rates and online tax filing systems.
- No tax relief for early-stage businesses.
- No social enterprise specific industry body.

Ethiopia

Number of SEs 2020: 27,900
Prevalence rate SE/SME: 3.5%
Ease of Doing Business Ranking: 159 of 190 economies
Human Development Index: 0.470 (low)

Estimated number of direct jobs in SEs:



Assessment of Social Enterprise Ecosystem in Ethiopia:

Medium
Financial ecosystem
- Impact capital is available but does not suffice for the financing needs of MSMEs, including social enterprises.

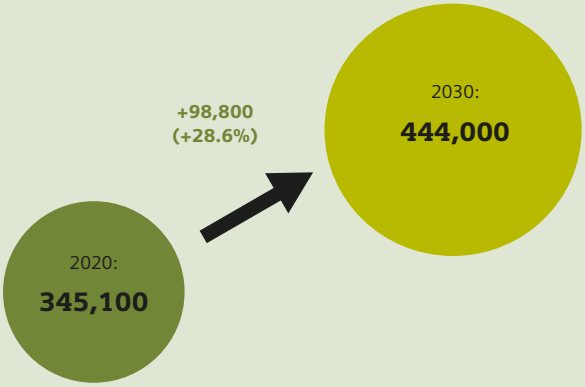
Weak
Technical support ecosystem
- Small network of 27 technical support organizations.
- Mismatch between social enterprises and support organizations in the capital, Addis Ababa.
- Support system focuses on agricultural sector.

Medium
Enabling environment
- Active social enterprise body, fostering the facilitation of member networking but misses out on lobbying towards favorable social enterprise policies.

Kenya

Number of SEs 2020: 85,600
Prevalence rate SE/SME: 5.5%
Ease of Doing Business Ranking: 56 of 190 economies
Human Development Index: 0.579 (medium)

Estimated number of direct jobs in SEs:



Assessment of Social Enterprise Ecosystem in Kenya:

Medium
Financial ecosystem
- Attracts 46% of the impact investments in East Africa, however, investors mainly invest in major cities.
- Commercial debt terms include high collateral requirements.

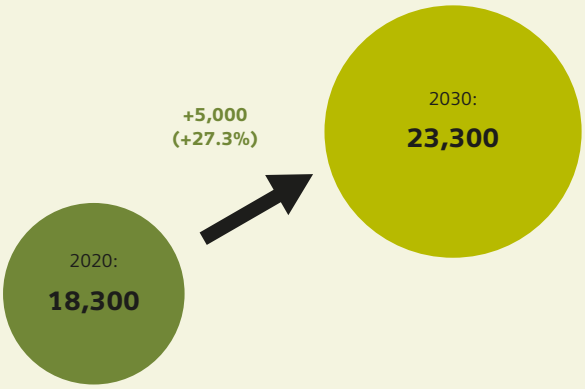
Strong
Technical support ecosystem
- More than 120 organizations offer technical support to social enterprises, however, many are skewed towards tech-enabled business models.

Medium
Enabling environment
- Support by both a national social enterprise industry body and a regional social enterprise industry body.
- Neither actively lobbies the government for social enterprise specific policies.

Rwanda

Number of SEs 2020: 4,300
Prevalence rate SE/SME: 3.5%
Ease of Doing Business Ranking: 38 of 190 economies
Human Development Index: 0.536 (low)

Estimated number of direct jobs in SEs:



Assessment of Social Enterprise Ecosystem in Rwanda:

Weak
Financial ecosystem
- MSME funding gap of USD $1.3 billion.
- Receives less impact investment than other East African countries.
- Major amount of the funding comes from DFIs that prefer to invest in larger ticket sizes.

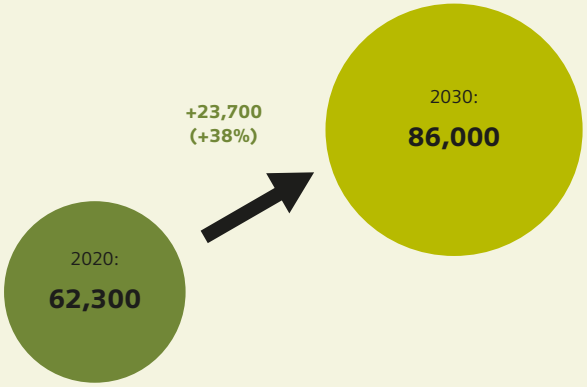
Weak
Technical support ecosystem
- Small existing support system of 12 entities.
- Existing organizations cannot meet the increasing need for (technical) supportive services.
- Support services mainly focus on the agricultural sector.

Strong
Enabling environment
- Rwanda ranks among the top 30 (29/190) globally in ease of doing business, compared to an average 111 ranking in the region.
- Government offers preferential taxation for new SMEs and investors in the energy and ICT sectors.

Uganda

Number of SEs 2020: 27,400
Prevalence rate SE/SME: 2.5%
Ease of Doing Business Ranking: 116 of 190 economies
Human Development Index: 0.528 (low)

Estimated number of direct jobs in SEs:



Assessment of Social Enterprise Ecosystem in Uganda:

Weak
Financial ecosystem
- Mismatch between ticket sizes preferred by investors and social enterprise needs.
- High commercial debt terms with high collateral requirements and interest rates.

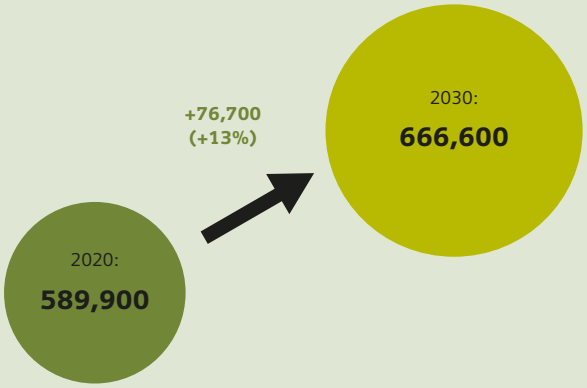
Medium
Technical support ecosystem
- 68% of entrepreneurs in Kampala belong to peer networks.
- Lacking accessibility of technical support systems for social businesses outside Kampala as they are almost all concentrated in this region.
- Limited availability of pre-investment support.

Weak
Enabling environment
- SME government support through funding and tax incentives, however, incentives have large capital requirements.
- Low electrification rates (23% urban, 19% rural).
- Lack of social enterprise body.

South Africa

Number of SEs 2020: 141,500
Prevalence rate SE/SME: 6.5%
Ease of Doing Business Ranking: 69 of 190 economies
Human Development Index: 0.705 (high)

Estimated number of direct jobs in SEs:



Assessment of Social Enterprise Ecosystem in South Africa:

Medium
Financial ecosystem
- Well developed financial sector with a substantial amount of available impact capital.
- Funding is mostly only available to larger ticket sizes.

Strong
Technical support ecosystem
- Strong technical support network offering capacity building, advisory services, and networking opportunities.

Strong
Enabling environment
- Policy environment favors SME and social enterprise development, as social enterprises registered as public benefit organizations receive tax exemptions on grants and donations.
- Incentives for foreign and domestic investors across sectors including manufacturing, agriculture, and tourism.
- Frequent power shortages, strict labor laws, and poor economic performance.

V.

Case Studies

Deep Dive into Five Social Enterprises

To further understand the job creating potential of social enterprises in Africa, five case studies on social enterprises spread across four countries in Africa were carried out. They covered investigations about the business model, the financial model (including projections), and an analysis of the job creation potential of the five social enterprises. The growth potential of each of these enterprises is outlined separately including the identification of factors that could support the respective social enterprise in realizing its immediate, mid-, and long-term targets.

Selection of Social Enterprise Case Studies

As described in Chapter III, organizations that fit the definition of social enterprises in this study were sought in the focus countries. After discussions with potential participants for the study, five social enterprises qualified for the study and agreed to participate.

The case studies were conducted based on a research design with a predefined structure that allowed for cross-case comparison (see Chapter III), but simultaneously enabled the researchers to account for the specific characteristics of social enterprises as well as the differentiated contexts in which they operate.

The following section provides a brief summary of the five case studies. A more detailed analysis of the selected social enterprises and their job creation potential can be found in the third part of this trilogy.

No	Social enterprise	Geography	Case for social entrepreneurship
1.	MeshPower	Rwanda	MeshPower provides reliable off-grid solar AC/DC electricity at an affordable price in rural Rwanda. MeshPower installs solar mini grids and operate them on a sustainable basis. The enterprise has created decent job opportunities for its employees both in the cities as well as in rural areas. It further creates income generation opportunities by powering up the village economy to undertake value-added activities through provision of electricity and their usage for productive loads. MeshPower also provides cheaper DC electricity in a tiered pricing manner to accommodate those not able to afford it.
2.	Sesi Technologies	Ghana	Sesi Technologies is an Agritech company that seeks to enhance farmers' income by reducing post-harvest losses. Sesi Technologies' key innovation is a moisture meter that enables farmers/processors/ aggregators to not only determine the quality of produce but also determine the best mode for storage to enhance shelf life. The enterprise employs nine full- and part-time employees.
3.	TakaTaka Solutions	Kenya	TakaTaka Solutions is a solid waste management enterprise that seeks to create value out of waste generated by households and commercial establishments. The company, through its waste management operation, aids reduction of environment pollution and aids in creating a circular economy. TakaTaka Solutions has created decent job opportunities for over 250 employees, many of them fall under the low skilled category.
4.	Tebita Ambulance	Ethiopia	TEBITA primarily provides emergency medical care services for people in Ethiopia. The enterprise operates a unique cross subsidization ambulance service model where it subsidizes the ambulance service cost for poor clients by providing high margin services to corporate/ international clients. TEBITA has created decent job opportunities for over 50 employees.
5.	WASHKing	Ghana	WASHKing is an enterprise working in the sanitation sector and seeks to provide low cost, reliable, hygienic toilets to the underserved communities in Ghana. The enterprise constructs environmentally-safe biodigester toilets that have a lower water footprint. The enterprise employs 16 personnel including 13 sanitary artisans.

Figure 48:
Overview of case studies

CASE STUDY 01

MeshPower

MeshPower is one of the largest off-grid solar powered microgrid operators in Rwanda. MeshPower provides low-cost electricity to power village microenterprises and rural households. MeshPower's microgrid operations electrify villages that are excluded from National Grid and this electrification supports microenterprises and aids in employment generation. MeshPower also executes projects on a turnkey basis for private enterprises/ global institutions/NGOs. MeshPower was founded in 2012 and began its operations in Rwanda in 2014.

TYPE OF EMPLOYEE	NUMBER OF EMPLOYEES (2020)	PROJECTED NUMBER OF EMPLOYEES (2030)
Local technicians	12	40
Sales/marketing team	-	75
Management level	10	20
Part-time sales agents	30	100
Total	**52**	**215**

GROWTH OPPORTUNITIES AND FACTORS THAT WILL DRIVE EMPLOYMENT CREATION	CONSTRAINTS TO BE ALLEVIATED TO SUPPORT GROWTH
Increase grid utilization by engaging with micro enterprises in the agri-value chain.	Uncertainty around government regulations.
Technological innovation that will lower hardware costs and capital expenditures.	Household consumers' limited ability and willingness to pay.
Sourcing customers (refugee camps, private enterprises) for single payer system projects.	Scarce patient capital to finance capex in setting up microgrids.
	Need for diversified capacities to manage multiple line of operations.

Inputs that will aid business growth and job creation

a) Enhance human resource (HR) capacity
- Strategic HR advisory support to CEO/senior management to augment organization capacity and recruitment strategies.

b) Access to capital
- Grant capital to support village entrepreneurs to set up different productive machineries for potential anchor loads.
- Low-cost capital from a blend of equity grants and government subsidies/debt to finance business growth.

c) Government policy support
- Need for greater policy certainty regarding Rwanda's National Grid expansion plans.

CASE STUDY 02

Sesi Technologies

Sesi Technologies is a budding social enterprise, working on reducing post-harvest loses in agri-value chains in Ghana. The enterprise was founded in 2018 by Isaac Sesi and is currently commercializing its flagship moisture meter product called 'GrainMate'. The product measures moisture content in many popular grains and legumes grown in Ghana. Sesi Technologies' target customers include farmers, poultry farmers, grain traders, and processors in Ghana. The enterprise partners with agricultural development programs to access markets across Africa.

TYPE OF EMPLOYEE	NUMBER OF EMPLOYEES (2020)	PROJECTED NUMBER OF EMPLOYEES (2030)
Production team	4	7
Management team	2	9
Sales and support	-	7
Software development	-	7
Total	**6**	**30**

GROWTH OPPORTUNITIES AND FACTORS THAT WILL DRIVE EMPLOYMENT CREATION	CONSTRAINTS TO BE ALLEVIATED TO SUPPORT GROWTH
Deepen market access by engaging with distributors across Ghana and set up a dedicated sales and distribution team.	Lack of market research and insights on consumer behavior change.
Value add services-app and platform operations.	Scarce resources for marketing.
New markets and institutional partnerships.	Lack of working capital to increase sales and production.
Improvement in production processes and product quality (hardware product design and production engineering).	Lack of capital to increase production capacity.

Inputs that will aid business growth and job creation

a) Access to partnerships
- Partnerships with development partners and commercial players in agriculture value chain to access new markets.

b) Access to technical know-how
- Technical inputs on production processes and quality control processes in hardware manufacturing.

c) Access to capital
- Grant capital to carry out market research and new product development (hardware and software).
- Working capital to set up sales team and new distribution channels.
- Risk capital to enhance production capacity and to scale up operations.

CASE STUDY 03

TakaTaka Solutions

TakaTaka Solutions is a growth-stage social enterprise that was founded by Daniel Paffenholz in 2011 with the objective of providing comprehensive waste management services in Kenya. It is currently the only company in Kenya that operates an end-to-end waste management system – TakaTaka Solutions collects waste (both directly as well as from collection workers), separates dry and wet waste, sorts waste at its centralized sorting stations and recycles some waste fractions for further resale. Currently, the social enterprise serves more than 20,000 customers and handles up to 50-60 tons of waste daily.

INDICATOR	NUMBER OF EMPLOYEES (2020)	PROJECTED NUMBER OF EMPLOYEES (2030)
Direct jobs	350	1,500
Indirect jobs (waste pickers)	400	5,000
Total	**750**	**6,500**

GROWTH OPPORTUNITIES AND FACTORS THAT WILL DRIVE EMPLOYMENT CREATION	CONSTRAINTS TO BE ALLEVIATED TO SUPPORT GROWTH
Increase the volume of waste collected and sorted by incorporating more waste pickers and increasing the number of areas served.	Competition from unregulated players who offer cheaper services as they don't undertake any processing.
Increase the number of recycling plants and innovate to enhance the number of waste fractions that each plant can recycle.	Poor zoning laws in Kenya, which leads to land unavailability for waste management.
Increasing the volumes of organic fertilizer distributed.	Collapse of global demand for recycled products due to COVID-19 and lower oil prices.
Lateral expansion through off-loading waste from other waste collection companies.	Limited access to patient capital that can be used to test out less established business lines.

Inputs that will aid business growth and job creation

a) Access to patient risk capital
- Access to debt to expand proven business lines such as waste collection and sorting.
- Grant capital to support innovation and develop new models to recycle additional waste fractions.

b) Technology transfer
- Curate partnerships with technology companies to increase automation in the sorting lines.

c) Enhance demand for recycled products
- Policy initiatives to support a circular economy and enhanced producer responsibilities.
- Mass education to increase the uptake and use of organic fertilizers by farmers.

CASE STUDY 04

Tebita Ambulance

Pre-hospital Emergency Medical Services PLC

Tebita Ambulance is a growth-stage social enterprise founded by Kibret Abebe in 2008 with the aim of providing emergency medical services and pre-hospital care to Ethiopians. This is done through the provision of 24/7 ambulance services for the mass market and remote emergency care services to institutions. So far, TEBITA has provided ambulance services to over 40,000 patients and has 15 ambulances in its fleet. Tebita also provides emergency medical training services to health professionals and students aspiring to be EMT professionals.

TYPE OF SERVICE	NUMBER OF EMPLOYEES (2020)	PROJECTED NUMBER OF EMPLOYEES (2030)
Ambulance services	52	303
Training services	25	40
Management level	10	18
Total	**87**	**361**

GROWTH OPPORTUNITIES AND FACTORS THAT WILL DRIVE EMPLOYMENT CREATION	CONSTRAINTS TO BE ALLEVIATED TO SUPPORT GROWTH
Enhance operational efficiencies by increasing ambulance utilization levels and by utilizing digital payment collection mechanisms.	Consumer behavior patterns, which hinder uptake of ambulance services.
Serve greater number of institutional clients.	Limited access to growth finance in Ethiopia due to stringent investment laws.
Geographical expansion and increasing the number of ambulances in its fleet.	Limited HR capabilities to handle increased operations volumes.
Successfully diversifying revenue streams into areas such as trauma centers and air ambulances.	Poor infrastructure in Ethiopia.

Inputs that will aid business growth and job creation

a) Awareness creation

- Mass awareness campaigns to drive behavior change regarding usage of ambulance services and emergency medical services, which will increase utilization levels.

b) Access to capital

- Patient risk capital to finance expansion into newer lines of business.
- Grant capital to provide subsidies and enhance uptake of ambulance services by customers having limited ability to pay.

c) Enhance organizational capacity to grow business

- Increase management capacity to manage multiple lines of businesses.
- Enhance operational efficiency by enabling TEBITA to handle greater volumes of calls for 24/7 services as well.

CASE STUDY 05

WASHKing

WASHKing is an early-stage social enterprise focused on enhancing access to environmentally-safe, biodigester-based sanitation facilities for low-income households in the Greater Accra region. Biodigesters are an eco-friendly alternative to conventional septic tanks/soak pits and have the key advantage of limited water usage. WASHKing was founded by Dieudonne Kwame Agudah in 2016.

TYPE OF EMPLOYEE	NUMBER OF EMPLOYEES (2020)	PROJECTED NUMBER OF EMPLOYEES (2030)
Sanitary artisans	13	45
Management level	3	12
Part-time Sanipreneurs	-	650
Total	**16**	**707**

GROWTH OPPORTUNITIES AND FACTORS THAT WILL DRIVE EMPLOYMENT CREATION	CONSTRAINTS TO BE ALLEVIATED TO SUPPORT GROWTH
Successfully leverage availability of subsidies to deepen access to toilet facilities in Ghana.	Limited financial capability to innovate.
Technological and financial innovation to develop models not reliant on subsidies.	Lack of working capital financing.
Scale up of non-subsidy business models.	Consumer behavior patterns with respect to personal hygiene.
	Limited HR capabilities to usher in business growth and handle operations at scale.

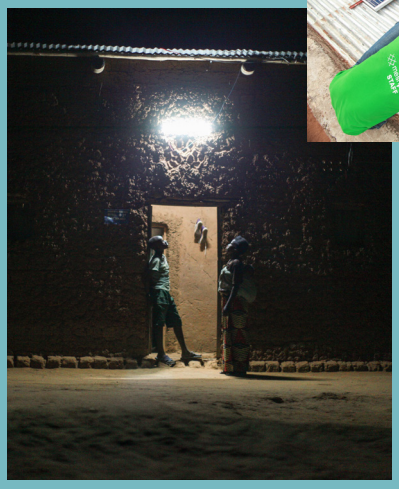
Inputs that will aid business growth and job creation

a) **Enhance human resource (HR) capacity**
- Strategic HR advisory support to CEO/senior management to augment organization capacity, put in place organizational polices, structure and recruitment processes.
- Enhancing the pool of trained skilled manpower to enable operational growth – business executives, sanitary artisans and sanipreneurs.

b) **Access to capital**
- Access to grant capital to enable WASHKing pilot program and establish the viability of non-subsidy/ technology-led sanitation models.
- WASHKing is also in need of working capital to increase the number of toilet construction in a year under the subsidy model.

c) **Awareness creation**
- Mass awareness campaign and development of targeted behavior change models can aid demand generation for WASHKing's business.

TEBITA AMBULANCE



MESHPOWER

TAKATAKA SOLUTIONS

WASHKING

SESI TECHNOLOGIES

VI.

Growth Model

Drivers for Job Creation in Africa's Social Enterprises

A Growth Model for Job Creation in Africa's Social Enterprises

As described above, the authors of the present study interacted deeply with the key decision makers and assessed the growth models of five social enterprises. Overall, it can be assumed that the pace at which new jobs are created is higher in early stages, while established social enterprises may have smaller job creation ratios but become durable providers of decent employment and income opportunities. The analysis also showed that the growth path of these enterprises and the support they need, vary depending on the current growth stage. In this section of the report, we attempt to summarize the differences in growth models and support requirements of early and growth stage enterprises that we have profiled.

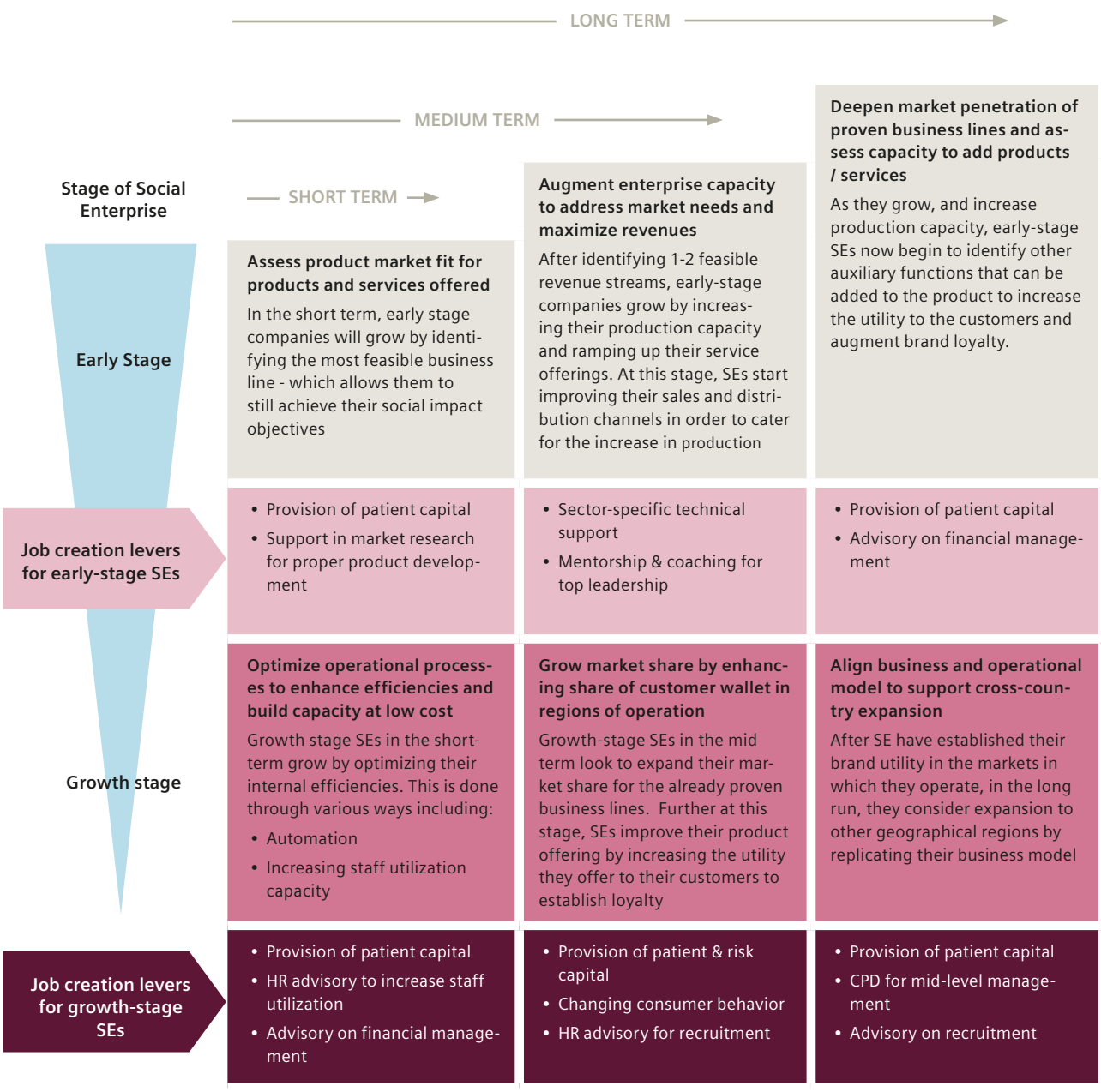


Figure 90:
Growth Model of Social Enterprises

Differences in growth models

EARLY STAGE ENTERPRISES

Early stage social enterprises are in the process of piloting their product/service offering to achieve product market fit. Most early stage social enterprises are still experimenting with various business lines to figure out the most feasible offering that has the potential to increase revenue, generate employment and scale social impact. This has been evident in the case of Sesi Technologies and WASHKing, wherein both enterprises are trying to establish different, viable business lines. They also have minimal HR capacity wherein the CEO and top-level management wear various hats to carry out business functions in order to minimize overhead costs and maximize outputs. The growth priorities for early stage social enterprises across short, medium and long are summarized below.

SHORT TERM: At this stage, social enterprises are testing out the viability of their product/service offerings, assessing the ability of their potential customers to pay, adopt an appropriate business model to serve the customers and try to maintain business continuity by generating revenues / gaining access to grant support. As seen in the case of individual SEs, WASHKing intends to expand penetration through the use of their "pay-as-you-use" model, whereas Sesi Technologies intends to expand capabilities of its hardware to improve use and applicability. Hence the goal of early stage social enterprises in the short term, would be to identify business lines that have both revenue potential and can create social impact at scale.

MEDIUM TERM: In the medium term, such social enterprises grow by ramping up their production / service delivery capacity. The increase in production capacity is complemented by improvement in sales & distribution channels to increase sales. This is evident in the case of Sesi Technologies, which has plans to increase its production capacity and diversify its sales channel in the medium term. Along with the growth in market facing functions, some social enterprises also try to optimize their processes to eliminate inefficiencies that have been accumulated in the testing and evaluation phase. Thus the medium term objective is to enhance revenues while also achieving financial viability by reducing overheads and maximizing operational leverage. To cater for such increases, social enterprises typically invest in HR resources to reduce the load on the CEO (who may increasingly focus on fundraising, technology and business development) and the organization hires more people in production and sales.

LONG TERM: At this stage, the main objective of social enterprises is to penetrate the target market fully. Social enterprises achieve this by expanding both reach as well as by identifying auxiliary services / product functions that can be used to enhance the main product. The social enterprises do this to increase customer stickiness and consequently ensure consistent cash flows and revenues to the business. For example, Sesi Technologies plans to provide value added services to its existing customers and address other issues in the post-harvest value chain by offering software-based solutions. Social enterprises tend to need a variety of talent right from fresh college graduates, to a strong middle management layer as well as a robust finance & control team. Both Sesi Technologies and WASHKing intend to enhance their "feet on the ground" strength along with their middle management in the long term.

GROWTH STAGE ENTERPRISES

Growth stage social enterprises already have proven business lines, some of which are profitable and can be replicated to other regions. Further growth stage social enterprises usually have an established organization structure with a clear delegation of responsibilities that allows CEOs with additional bandwidth to focus on business development and fundraising activities. For instance, Tebita Ambulance has already proven its remote and 24/7 ambulance services, and both of these can both be replicated to other geographies. Another clear demarcation between an early stage social enterprise and a growth stage social enterprise is the availability of a second line of leadership within the organization. In the case of TakaTaka Solutions and Tebita both organizations have created extra bandwidth for the Founder/CEO by empowering its second line of management to handle operations of the company, whereas in an early-stage enterprise like WASHKing, the CEO of the company is very hands-on with the day-to-day operations of the company. The priorities for growth stage social enterprises across short, medium and long are summarized below.

SHORT TERM: In the short term, growth stage social enterprises seek to optimize their internal operational efficiencies in order to optimize their costs and improve margins. For instance, in Tebita Ambulance's case, ambulances are currently being underutilized due to a lack of ability to improve operational efficiencies in addressing growth needs. Yet, if Tebita achieved optimum operational efficiencies, it can increase its revenues and grow with a minimum investment in assets. This can be done through technology adoption and process reengineering of production processes to improve quality of products, technology can also be used as a way to decrease overhead costs and thus increase margins. To cater for these, growth stage social enterprises typically invest in specialized resources to augment capacity while also hiring more in production and sales.

MEDIUM TERM: In the medium term, growth stage social enterprises seek to grow their market share either by expanding into other local areas within the regions they operate or increasing the customer segments they serve. Further, at this stage, social enterprises will start experimenting with other business lines in order to improve their product offering and thereby increasing value generated per customer. For instance, TakaTaka Solutions will grow by increasing its recycling capacity and increasing the number of waste fractions it is able to recycle, thereby generating more value to the manufacturers that purchase the recycled flakes. Hiring needs at this stage are analogous to the needs of early stage enterprises in the "long term" phase of their growth path.

LONG TERM: In the long term growth stage social enterprises seek to create greater social impact by serving customers in other geographies with underserved markets. For instance, MeshPower, in the long term, will be looking to expand into countries such as Uganda, having already undertaken a successful pilot in the country. Social enterprises tend to seek opportunities for collaboration to reduce the risk of entering new markets as well as growth capital to fund expansion needs. From a talent perspective such expansion creates growth opportunities for talent in the organization as well as generates employment opportunities in the target countries.

Growth levers for social enterprises

Consumer behavior change

The consumer behavior change dimension features as the fundamental necessity for both early stage as well as growth stage social enterprises. Due to the lack of awareness regarding benefits of ambulance use, Tebita's ambulance utilization levels are very low and this impacts operational efficiencies. There is a need to invest significantly in educating the public on the need for using ambulances during emergencies and, thereby, increase uptake of Tebita's services. This need for investment in behavior change differentiates social enterprises from the regular MSMEs. Unlike MSMEs, social enterprises focus a significant portion of their efforts to create demand for their products and services. At the extreme, target consumers are not aware of the benefits of using a new product, technology or services offered by the social enterprise and hence social enterprises need to start awareness creation and demand generation from scratch. This has been the case with consumers of Sesi Technologies' grain moisture meter product, too. Social enterprises however, have very limited financial resources to invest in behavior change and this directly impacts their growth prospects.

Operational efficiency

Operational efficiency enhancement is pertinent for those social enterprises that have an established product/service offering and are currently focused on increasing their customer base. There were a few observations emerging from the case studies that highlight the need for better operational efficiency & financial controls. These include drastic fluctuations in the profitability ratios between different fiscal years, below optimal usage of internal resources and installed capacity. In the case of MeshPower, drastic fluctuations were caused by change in government policies, whereas Tebita Ambulance could better manage its assets to increase operational efficiency.

Grant & patient capital

Given the difficult market conditions under which social enterprises operate, the capital needs of social enterprises are also different from the regular mainstream MSMEs. The founders of the two early stage social enterprises, covered in the study, namely Isaac Sesi and Dieudonne Kwame Aguda are first generation entrepreneurs with limited financial capacity and their social enterprises have been seed funded by grant funded projects. During the initial phase of experimentation and development of their products/services, the nascent social enterprise predominantly sustained themselves by participating in innovation challenges, business competitions and other forms of grant funding. Growth stage social enterprises, on the other hand, prefer grant capital to establish the technological viability of new business lines / innovations. The capital requirement for growing established business lines of growth stage social enterprises can be met by accessing risk capital (debt & equity). In the case of TakaTaka Solutions, patient capital would be required to grow business lines, such as recycling, that are yet to be fully proven, whereas commercial debt may be appropriate to grow the more established waste collection and sorting side of the business.

HR advisory

Early stage social enterprises require talent who can contribute from day one and they cannot afford to provide on job training. Some social enterprise CEOs highlighted the skill gap and lack of professional attitude among fresh graduates from colleges & vocational courses act as deterrence in recruiting them for roles within social enterprises. For instance, in MeshPower's case, technical experience is required to successfully deliver on the job. However, some graduate hires not only lack the technical experience but, in some instances, the ability to learn on the job is also not great, underscoring the need to be more discriminating in the hiring process.

Similarly for growth stage social enterprises, there is a critical need of executives to manage the business. A key impediment to hiring experienced executives is the lack of experienced intermediaries to bridge the gap and advise both the social enterprise as well as the potential hire. Incorrect experienced hires compounded by a change in business strategy resulted in one growth stage social enterprise suffering huge losses. So, apart from availability of talent, social enterprises also need advisory support on talent acquisition and talent retention.

Innovation Support programs

Early stage social enterprises benefit greatly from innovation support programs that enable them to showcase their innovations and avail support for their business growth. Innovation support programs also cater to product development needs and business model adaptations. These innovation support programs could be in the form of market research, sector specific accelerators and challenge programs.

Structured collaboration mechanisms

One early stage social enterprise, Sesi Technologies, was incubated in a technology institute as part of a research extension program. Similarly a growth stage social enterprise, MeshPower was also incubated in a technology institute and its current parent company Xpower has The Energy Institute, Colorado State University as a major stakeholder. Many social enterprises have benefitted from academia connect for technology development & knowledge transfer and they either have direct collaboration or have qualified members from academia as part of their advisory council.

Another potential mode of collaboration is partnerships with large corporates. One CEO specifically mentioned that such collaborations and knowledge transfers therefrom could offer significant support in business expansion. Additionally there is an opportunity available for philanthropic agencies to mobilize the social enterprises under a common theme and facilitate cross-learnings among them.

Likely impact of growth levers

Generally, these levers augment the potential of social enterprises across various growth stages to grow and scale. Furthermore, some of these growth levers increase social enterprises' potential of unleashing decent job opportunities as described below:

Growth levers	Promote the growth of social enterprises	Unleash the potetntial of social enterprises to provide decent jobs
Change in consumer behavior	Increase demand for products/ services offered and thus increase revenue growth and, consequently, job creation potential.	
Operational efficiency optimization	Enhances the revenue generation potential of a social enterprise at minimum cost.	Operational efficiency increases staff utilization capacity, which increases the productive levels of employees and associated growth in economic conditions due to personal growth.
Provision of grant and patient capital	Establish technological viability of new business lines/innovations/ support regional expansion.	Provide stipend support to enable social enterprises to attract high quality trainees and apprentices. Grants can also be used to pilot and subsidize social protection schemes for employees.
HR advisory	Enable social enterprises to make more robust recruiting decisions and also to set up an appropriate growth structure.	Provision of relevant on-job training and continuous professional development can enhance retention levels in social enterprises.
Structured collaboration mechanisms	Collaboration with academia and large corporations increases potential for low-cost technology development and access to technical knowledge for social enterprises.	Best practice sharing on employee development, training, and organizational development between corporations and social enterprises.

» Our experience has repeatedly shown that social enterprises benefit a lot from combined financial and technical support. It helps them to grow and, ultimately, to create new decent jobs «

Carola Schwank, Siemens Stiftung

VII.

Recommendations

How to Leverage the Job Creation Potential of Social Enterprises in Africa

Recommendations to Leverage the Job Creation Potential of Social Enterprises in Africa

Introduction

This section outlines recommendations that could support social enterprises in the focus countries realize their job creation potential. A range of development partners, including research institutions, donors, investors, advisors, and policymakers are invited to review and implement these recommendations. Based on the results of the investigations on the job creation potential of social enterprises, recommendations have been derived on two levels:

Recommendations on how to promote the growth of social enterprises:
As organizations increase their outreach, revenues, customer base, etc., they usually require an increasing amount of human resources to operate. This is also the case for social enterprises as outlined in Chapter V and VI. In order to increase the number of jobs provided by social enterprises in the future, the general growth of those organizations and the emergence of new social enterprises should be supported.

Additional specific recommendations on how to unleash the potential of social enterprises to provide decent jobs:
Social enterprises differ from other organizations in many ways. First, being hybrids between the commercial and philanthropic sectors, social enterprises don't operate under the same conditions as regular SMEs. They often follow particularly challenging business models in markets that are not (yet) well developed, stretching their cash flow and other aspects of their financial management. Second, social enterprises are often required to rely on philanthropic resources, including volunteers due to the lack of appropriate funding mechanisms that would allow them to build up durable structures and teams. Third, social missions of social enterprises often explicitly include the goal of providing employment opportunities for communities that face particular challenges in the labor market. In summary, the very nature of social enterprises affects their ability to act as providers of decent job opportunities.

Specific recommendations on both levels are elaborated on further below. They entail recommendations on how social enterprise ecosystems could be strengthened in the focus countries (including the financial and technical support ecosystem as well as the enabling environment) and recommendations concerning the creation of a better data landscape. The broad set of recommendations illustrates the variety of different needs of SEs and of feasible interventions that can come from different players. Depending on their own areas and strategic approaches, ecosystem actors can all make a significant contribution to creating more jobs in the social enterprise landscape.

The following pages present recommendations on how to strengthen the financial and the technical ecosystem, as well as the enabling environment in which social enterprises operate. Within each section, the recommendations are clustered by topics and complemented by overarching recommendations that touch on the whole area in the ecosystem.

Furthermore, specific recommendations on how to improve the data landscape and ease future research efforts on social enterprises across Africa and other geographical contexts will be provided.

The authors of this study have jointly assessed each recommendation with regard to: 1) the expected intensity of efforts that are needed to implement it; 2) the estimated impact of the intervention on job creation, and; 3) the time it takes to implement it. These assessments are outlined in the form of star graphs after each intervention.

Strengthening Support Ecosystems to Help Realize the Job Creation Potential of Social Enterprises

This study identified three key aspects of the environment that social enterprises operate in considered vital to their success: the financial ecosystem, the technical ecosystem, and the enabling environment. Where these aspects are weak in a country, it is less likely that the job creation potential of those social enterprises will be realized by 2030. Various actors can play a role in strengthening the ecosystem and thus helping to realize the job creation potential over the next 10 years that has been assessed in this study.

Financial Support | **Technical Support** | **Enabling Environment** | **Data Landscape**

Financial Support

Most social enterprises focus on solving societal problems,[48] which are not addressed by traditional market forces. More specifically, they strive to build revenue models around providing solutions for such problems to create social impact. Further in their growth path to achieve business sustainability and to enhance their impact by customers served and jobs created, many social enterprises grow from experimenting with multiple revenue models to standardizing them and then to scaling up of these standardized models. Thus, depending upon the stage of the social enterprise, there is an enormous need for different kinds of capital. It is a fact that many of the capital requirements are not met through conventional capital providers, and, hence, require additional interventions. As outlined by multiple studies, social enterprises' financing landscape is characterized by the so-called "missing middle", referring to a lack of sufficient financing options for organizations that seek investments of approximately USD $30,000-$250,000. International and national ecosystem partners, including various players such as international development organizations, governmental development cooperation from the global north, development banks, philanthropy associations, impact investment funds, social investors, foundations, or others, can become active to provide different forms of capital through various ways.

Promoting Growth through Financial Support

Equity/hybrid capital

Social enterprises require growth capital to scale up their products and services, however social enterprises get excluded and crowded out from the mainstream venture capital ecosystem. This is primarily because of the high-risk perception associated with social enterprises and the comparably lower financial return expectations.[49] Hence, a dedicated risk capital ecosystem can support social enterprises to realize their growth potential. Committed financing partners should significantly augment the flow of risk capital dedicated for SEs and structure risk capital in various ways, including:

Set up more impact-oriented venture capital funds dedicated for SEs:

- Although there are many venture capital (VC) funds in the market, there is a lack of VCs that focus exclusively on social enterprises. Setting up more VC funds exclusively for social enterprises can, thus, inject more risk capital into social enterprise ecosystems and provide tailored support for social enterprises to grow. The financial products provided by these funds – like patient capital or convertible debt – need to be tailored to the growth trajectories of social enterprises, apply appropriate impact measurement processes, and work with skilled personnel that are able to understand and accompany the realities of social enterprises. Specifically, ticket sizes in the so-called "missing middle" (approximately USD $30,000-$250,000) need to become much more accessible for social enterprises. Existing matching funds can serve as examples on how to provide these smaller ticket sizes in a cost-efficient way with limited risk.

  Intensity of efforts: high ★★★
  Impact on job creation: high ★★★
  Time horizon: mid-term

Float performance-based support for social enterprises to set up new business lines with job creation as outcomes:

- Financial support can be provided on an ex-post assessment of social impact creation. Various models of such performance-based support are currently tested around the globe.
- For instance, the design of Development Impact Bonds (DIBs) with revenue growth and job creation as outcomes builds on this concept. Tested for the first time by the World Bank in Palestine, Development Impact Bonds may also be a promising tool to leverage the capital of diverse players in order to effectively create jobs.[50]

  Intensity of efforts: high ★★★
  Impact on job creation: high ★★★
  Time horizon: long-term

Debt

Debt capital features as an important element particularly for established social enterprises to grow their businesses in a sustainable manner. It is often needed to finance their working capital needs and increase their existing capacity on proven business lines. However, it is particularly high collateral requirements (~250% of the loan value in Kenya) that prevent social enterprises from accessing traditional debt from commercial banks and other debt providers.[51, 52] Debt providers require collateral to secure their lending but social enterprises often lack physical assets, such as buildings, that lenders typically require as collateral.

In this context, various developmental partners should come together to incentivize the flow of commercial debt in following ways:

Support debt providers to ease collateral requirements:

- DFIs could catalyze more debt financing from local financial institutions by supporting alternatives such as receivables as collateral for social enterprises. This is particularly important in countries with a high proportion of family-owned enterprises, typically reluctant to share ownership with equity investors. For example, The African Development Bank (AfDB) and European Union (EU) developed the Distributed Energy Services Companies (DESCOs) Financing Program in 2019 to offer receivables-backed financing to energy companies through local financial institutions.

  Intensity of efforts: medium ★★☆
  Impact on job creation: medium ★★☆
  Time horizon: short-term

Support social enterprises in carrying the burden of interest rates:

– In many African (and other) economies, the interest rates on loans provided by banks are not affordable for social enterprises. Helping them to carry the burden of the interest rates, and not of the nominal loan amount, would help social enterprises financially while at the same time incentivizing them to develop financially-sustainable business models. There are increasing numbers of international funders willing to provide hard currency (USD) debt at cheaper rates and with little or no collateral, but local currency providers on these terms remain rare.

Intensity of efforts: medium ★★☆
Impact on job creation: medium ★★☆
Time horizon: mid-term

Set up a guarantee fund to incentivize commercial lenders to provide debt to social enterprises:

– A credit guarantee fund can be set up to cover downside risk for commercial lenders. The risk cover can be provided in the form of credit guarantee and First Loss Default Guarantees (FLDGs) to financial institutions. This could be realized by donors, philanthropic organizations, foundations or development organizations and banks. Through credit guarantees and FLDG cover, the stringent eligibility criteria of financial institutions can be relaxed and the need for collateral can also be removed. These two relaxations will bring social enterprises under the domain of commercial lenders. Further, the provision of some level of capacity development support before disbursing credit to social enterprises can be included as part of the criteria before the guaranteed parties can access the fund. This will ensure the growth of the social enterprise, through both provision of capital and capacity development support. See Figure 92 for a visualization on the set-up a guarantee fund.

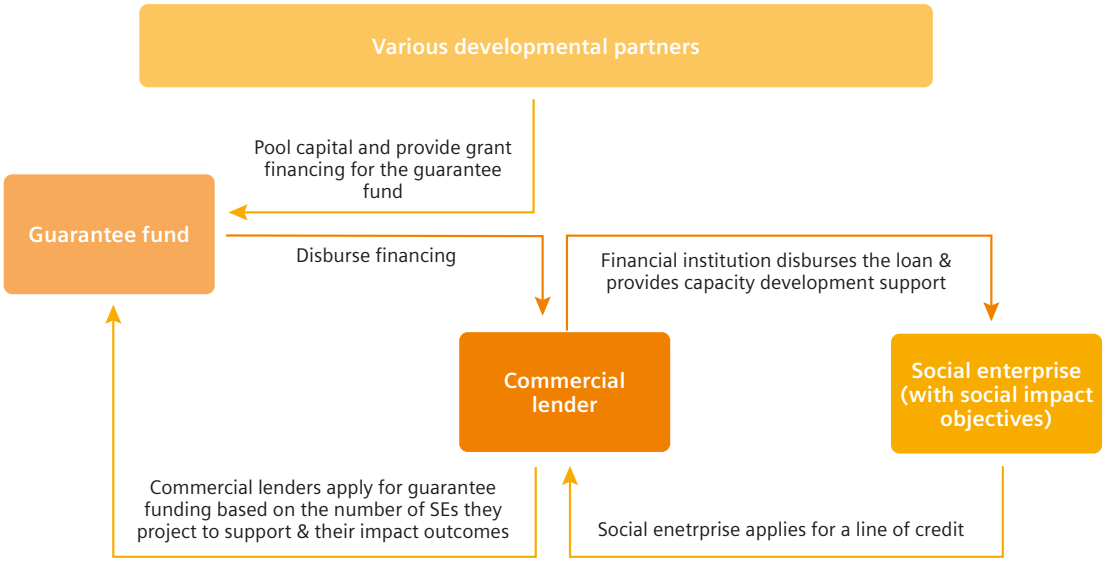


Figure 92:
Summary of the guarantee fund set-up

Intensity of efforts: high ★★★
Impact on job creation: medium ★★☆
Time horizon: mid-term

Channel capital to social enterprises through on-lending facilities:

– Foreign investors often incur higher investing costs than local investors given their disadvantage in having less contextual knowledge compared to locally-based investors. International investors could mitigate this by developing on-lending facilities to provide funding to social enterprises through local investors. These local investors may be better placed to deploy capital in ticket sizes and forms of capital that match social enterprise needs. If the channeling of capital through on-lending facilities is not feasible for various reasons, specific risk mitigating tools tailored to foreign investors could be implemented to increase foreign investments.

Intensity of efforts: high ★★★
Impact on job creation: medium ★★☆
Time horizon: mid-term

Grants

Grant money remains a fundamental part of the financing mix for social enterprises. Particularly in very early stages, or when it comes to testing new business lines, grant money is crucial for social enterprises. Thus, required measures to support the emergence and growth of SEs include:

Create challenge competitions and opportunities that SEs can utilize to pilot new business lines/ leverage technology to optimize existing businesses:

– Many of the budding social enterprises have come into existence and are sustained based on grant money awarded by "social enterprise challenge" events and business idea competitions. For example, Sesi Technologies, one of the social enterprises covered as a case study in this report, came into existence because of an agriculture technology research program. Since its inception it has received about USD $150,000 in grant money awarded through seven different social enterprise challenges and business idea competitions. Sesi Technologies has sustained largely on account of this grant money and it has used this amount to standardize its product, invest in production facilities, finance its working capital requirement, and employ its first employees. Similarly established social enterprises can also use challenge opportunities to experiment new business lines as they seek to achieve sustainability and growth. Therefore, developmental partners can support challenge programs, which aim at identifying potential social enterprises that are looking to experiment new business lines, products and services or expansion to other regions or countries. The selected social enterprises can be awarded with cash prizes, which will support them in executing their experimentation plan. For example, TakaTaka Solutions can only pilot a new business line on plastic waste recycling if they receive respective grant money through Siemens Stiftung's "Call for Growth" that they had addressed to SEs in their own network. Their film plastic recycling plant is new to the Kenyan market and, therefore, poses a risk that commercial investors would not support initially.

Intensity of efforts: low ★☆☆
Impact on job creation: high ★★★
Time horizon: short-term

Set up grant facilities to stimulate demand by providing short-term subsidies to low-income customers or social enterprises:

– Social enterprises mainly target low-income customer segments, whose ability to pay for services or products is limited. Hence, many social enterprises suffer from limited willingness and ability to pay from their targeted customers. For example, WASHKing, one of the social enterprises covered as a case study in this report, builds toilets for low-income customers. However, most of them cannot afford to bear the entire toilet construction cost. It is in this context that the 70% subsidy provided by the World Bank funding the Greater Accra Metropolitan Area (GAMA) sanitation program becomes critical for WASHKing's operations. WASHKing receives 70% of the construction costs directly from the program and only 30% of the cost is borne by the customer. Developmental partners can come together to set up a fund that can be used to provide both supply-side subsidies to social enterprises as well as direct short-term subsidies to target customer segments. This is particularly relevant for social enterprises that seek to provide products or services that require a change in the mindset or the consumption behavior of a target population. It is also particularly impactful if linked to products or services that increase the ability of customers to generate revenue or income.

Intensity of efforts: medium ★★☆
Impact on job creation: medium ★★☆
Time horizon: mid-term

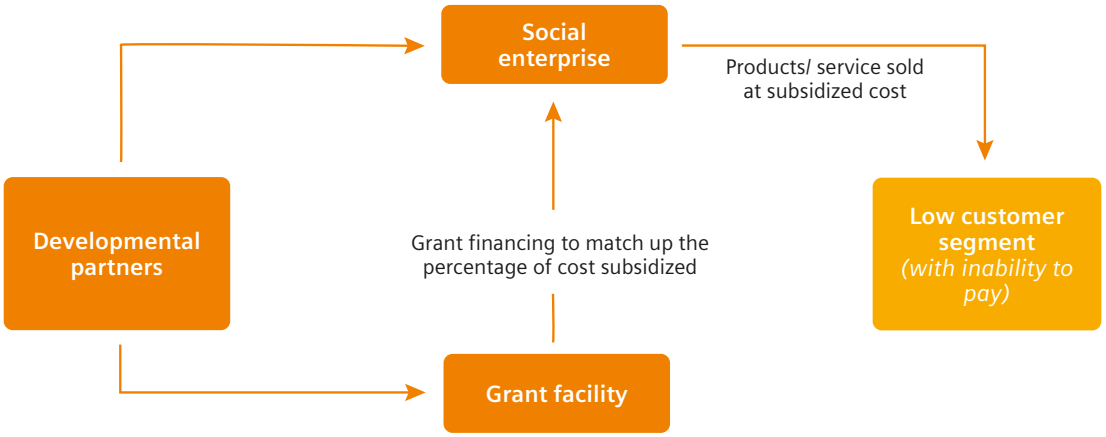


Figure 93:

Overarching recommendation regarding the provision of capital for social enterprises: Lower the cost of matchmaking and conducting due diligence

– High costs related to filling the pipeline and conducting due diligence often drives investors to deploy capital in large ticket sizes that cannot be absorbed by social enterprises. Development partners should subsidize the costs of finding and conducting due diligence on small social enterprises, engaging with investment committees, and negotiating term sheets. This could lower the costs incurred by investors which could increase their ability to offer smaller ticket sizes. The Talent to de-Risk and Accelerate Investment (TRAIN) initiative was a two-year collaboration by USAID, a local advisory firm, and seven impact investors. It sourced a pipeline of over 1,000 local small and growing businesses, screened them, conducted due diligence, and offered pre- and post-investment support. Another example is the Nguriza Nshore Rwanda project, which emerged out of a collaboration between USAID, DAI, and BiD Network. The blended finance structure formed by Nguriza Nshore- USAID Activity reduced the cost to both companies and investors via supporting transaction advisory firm BiD Capital Partners / BiD Network and investees. Since its inception in late 2018, Nguriza Nshore project partners leveraged ~ USD $9 million in private placements and over USD $20 million total financing into +100 SMEs, funds, and financial institutions, this resulted in 9,000 additional jobs, improved business performance and enhanced institutional architecture for food security policy. Furthermore, Siemens Stiftung has elaborated on the specific gaps in the funding relationships as well as promising routes, including digital solutions, which may help to improve matchmaking and due diligence processes between impact investors and social enterprises.[53]

Intensity of efforts: high ★★★
Impact on job creation: medium ★★☆
Time horizon: long-term

Unleashing Job Creation Potential through Financial Support

Recruiting

It is an essential element of many social enterprises' mission to improve the lives of underprivileged people. In many cases, this explicitly relates to the creation of jobs or income opportunities for vulnerable people who are not (yet) skilled enough to succeed on the existing job market. However, due to the stretched budgets that social enterprises typically face, they are often unable to hire fresh talent and carry the cost burden of on-the-job training. Support measures by development partners could thus:

Provide stipend support to new entrant graduate trainees and apprentices recruited by social enterprises:

– The inability of social enterprises to hire fresh talent and provide on-the-job training is a consequence of their resource limitations, limiting their growth potential. Furthermore, from a systemic point of view, it also limits the nature of job creation within social enterprises, hence, the deployment of talent for urgent needs in society. There is a need for financial incentives to encourage social enterprises to generate decent jobs for new entrants and invest in on-the-job training opportunities.

Development partners can support social enterprises on this front by creating a pool of capital, providing stipends for fresh entrants employed in social enterprises, and developing respective in-house training formats in collaboration with technical assistance providers.

Intensity of efforts: medium ★★☆
Impact on job creation: high ★★★
Time horizon: mid-term

HR overhead costs

Partly depending on philanthropic funding, social enterprises are often particularly challenged when it comes to covering operational costs such as HR overheads. These costs relate to ones that cannot be identified as direct costs of performing a process. While being mandatory expenses in any operating business, philanthropic funding is often reluctant to cover these costs and rather targets project costs that can more directly be related to impact creation. Support measures for social enterprises are thus needed in the following areas:

Subsidize the design and roll out of employee benefits and social protection schemes in social enterprises:

– To increase the standards and quality of jobs created, social enterprises need to provide additional benefits to their employees along with monetary compensation. These benefits could include medi-claim, life insurance, and micro-pension saving schemes, depending on national regulations and existing schemes. Development partners can enable the development of such products as well as subsidize the costs to increase the participation of social enterprises in providing additional employee benefits. TakaTaka Solutions, for instance, has implemented a savings scheme for their employees to support them with their financial management. Every month, if employees save USD $10, TakaTaka Solutions adds USD $0.5 to their savings. The social enterprise also provides interest free loans to their employees up to three times the amount that they have already saved through the scheme. As such measures are difficult to implement at an individual social enterprise level, development partners should also foster the development of group product measures that can be taken up at the sectoral or industry level. Special schemes may be created, wherein social enterprises can reimburse certain HR overheads through the scheme.

Intensity of efforts: medium ★★☆
Impact on job creation: medium ★★☆
Time horizon: long-term

Baseline recommendation regarding the provision of capital for social enterprises: Link the financial support of social enterprises to HR outcomes

– As mentioned earlier, it is the explicit goal of many social enterprises to provide job and income opportunities to vulnerable populations. Yet, few support schemes explicitly promote job creation and rather see it as a by-product of social enterprise growth. Integrating this aspect in support mechanisms would incentivize the focus on job creation not only within social enterprises but also in the entire ecosystem. Funding partners could thus include a threshold for quantity and quality of jobs as eligibility criteria to access their capital. However, funding partners need to carefully assess if such a criterion is relevant for the specific social enterprise that they consider or whether this might be counterproductive for the social enterprise in the long-run.
For example, Siemens Stiftung will include job creation as a criterion in their next empowering people. Award and further support mechanisms more strictly. A job projection framework can also be developed to assess the quality and quantity of jobs created based on a social enterprise's business model, which will ensure that the capital support provided goes towards the increase in quantity and quality jobs.

Intensity of efforts: low ★☆☆
Impact on job creation: medium ★★☆
Time horizon: mid-term

Technical Support

Strong social enterprise ecosystems are characterized by a high number and standard of technical support providers, including incubators, accelerators, networks, capacity building organizations, etc. While there are many factors in a country that influence the prevalence and success of social enterprises, experts repeatedly point to the relevance of strong technical support. Social entrepreneurs have very diverse backgrounds. However, the skill set and capacity of founders can be limited. As organizations grow, the need for technical support becomes increasingly important in order to build sustainable organizations that can provide durable and decent employment opportunities.

Promoting the Growth of SEs

Technology and Manufacturing

Some social enterprises have taken up product manufacturing operations, which are relatively complex operations as they require streamlining of multiple processes. Social enterprises streamline their manufacturing processes mostly through trial and error and this takes up valuable time and resources. Alternatively, social enterprises can make use of advanced technology to augment their production processes and bring in better quality control. These technology improvements, leapfrogging development steps, and process re-engineering will improve market competitiveness of products manufactured by social enterprises. Partners with a distinct focus on engineering for development can come together and support social enterprises to master the manufacturing curve as follows

Set up initiatives to curate partnerships with technology providers:

– Development partners can support social enterprises by enabling technology adoption and technology transfer from more advanced regions. This collaboration can take place on specific matchmaking platforms and be structured in a way where social enterprises identify their technology needs and draft a proposal for developmental partners. Based on these proposals, development partners can curate partnerships by tapping into their extended industry network and mobilize expert know-how. Alternatively, prospective technology partners can also be identified by social enterprises and proposed to development partners for connecting. For example, ASME and its Engineering for Change initiative support SEs taking socially-impactful hardware solutions to market through tailored engineering reviews and technical support delivered by experienced engineers and technologists. The program's success is anchored in the rigorous analysis of the SEs technological development needs and curation of the expert network to ensure that they are matched to experts that are familiar with the challenges in low-resource settings.

Intensity of efforts: medium ★★☆
Impact on job creation: low ★☆☆
Time horizon: short-term

Product Development

As part of the product/service development process, social enterprises need to have a better understanding of their target consumer needs and behavior, so that they could come up with market fit products/services. These processes are critical for social enterprises as it will determine the success of its offerings and, hence, its business model. However, due to limited capacity and resources, social enterprises often design their offerings with limited customer and market insights. There is the need for developmental partners to:

Support SEs in their market research to better understand consumer behaviors and aid product development:

– Social enterprises are restrained by the lack of robust data and insights on specific markets that they want to serve. This lack of data restricts the ability of social enterprises to grow and scale. Supporting them in market research can help them to better understand the market potential and develop corresponding strategies. Such support can take place through engagements with consultants who master techniques such as Human Centered Design or behavioral economics and who can provide this support directly to social enterprises. Through this market research, social enterprises can get valuable insights on their consumer behavior, which will then aid in product development, and, eventually, leads to an increase in the performance of the product/service in the market due to an improved market fit. Further, social enterprises can use the insights from this market research to tap into market opportunities outside of their domestic markets. This will augment the growth of the social enterprises and, subsequently, direct job creation opportunities.

Intensity of efforts: medium ★★☆
Impact on job creation: medium ★★☆
Time horizon: mid-term

Financial Management

It is particularly essential for social enterprises that are trying to raise funds that they implement robust financial control processes and systems. Social enterprises tend to have limited resources available to put such structures and processes in place. Furthermore, budding social enterprises are typically people-driven with the CEO/Founder driving many of the control processes. As social enterprises mature, there is a certain delegation of these control processes, however, it continues to be people-driven rather than through a robust system due to the expensive nature of setting up such processes and systems.

Support social enterprises in implementing robust financial and performance control processes and systems:

– As previous investigations of Siemens Stiftung confirm, the lack of robust and standardized reporting systems in social enterprises is a considerable obstacle in the due diligence process and, thus, the deployment of capital into social enterprises.[54] In both areas – financial performance and impact measurement – social enterprises typically refer to their own systems. This is not only inefficient for the social enterprises themselves but also a major obstacle for potential supporters who seek to compare different organizations to find the best match. Development partners can come together to support the establishment of robust systems and processes to ensure better control and help SEs reduce their financial risk. Grants that are related to technical service provision from experts in the field of financial management or impact measurement could be one option for social enterprises to gain access to capacity building services that would otherwise be unaffordable for them.

Intensity of efforts: medium ★★☆
Impact on job creation: low ★☆☆
Time horizon: mid-term

Baseline recommendation regarding the provision of technical support to social enterprises:

– Technical support organizations are often very specific with their support offering and thus only match with a small portion of existing social enterprises. Overall, technical support providers should broaden and diversify the focus of their support to include neglected regions and sectors. In most cases they are based in urban locations because of better business infrastructure, access to talent, and concentration of potential clients. To reach a significant proportion of social enterprises that are not in urban centers, philanthropic funders and impact investors could fund support organizations to develop web-based, mobile, or Unstructured Supplementary Service Data (USSD) services in countries like Kenya with high internet and mobile penetration. In countries with low internet penetration and low mobile penetration it might be more effective to fund mobile units.[55] From a sector point of view, technical support is also often specialized. For example, in Ghana, 55% of technical support organizations focus on agriculture, while in Nigeria, 44% focus on ICT and mobile-based businesses.[56, 57] Investors could fund existing support organizations to expand their service offerings based on sectors with the greatest job creation potential or encourage sector-agnostic programs that provide technical support to a wider range of businesses and social enterprises.

Intensity of efforts: high ★★★
Impact on job creation: medium ★★☆
Time horizon: long-term

Unleashing the potential of SEs to provide decent jobs

Capacity Building

HR management is a complex task, even more so in organizations like social enterprises that typically face resource constraints and work on complex societal issues. Supporting social enterprises to achieve the necessary strength and capacity is crucial when it comes to enabling them to grow their business and, thus, become providers of an increasing number of decent, high-quality jobs:

Set up collaborations with HR firms to advise social enterprises on recruiting:

– In early-stage social enterprises, the recruitment function is largely centralized around the CEO and recruitment usually takes place through the CEO/Founders' network. This works for social enterprises in the budding stage of development. However, as social enterprises grow, HR management becomes increasingly time intensive, creating a need for a dedicated focus on talent acquisition, development, and retention. However, for most social enterprises, specialized HR teams make little sense given their low operational scale. Hence, HR firms that specifically provide advisory recruitment services can be supported to fill the gap until social enterprises reach a critical operational scale and have their own dedicated HR team. With their expertise, HR firms can be of significant support for social enterprises to build strong teams that enable maximum impact creation, organizational sustainability and growth.

Intensity of efforts: medium ★★☆
Impact on job creation: medium ★★☆
Time horizon: mid-term

Provide leadership mentoring and coaching support:

– CEOs and executive staff of social enterprises face business uncertainties in terms of internal organizational development, effective leadership, or team building on a daily basis. The CEOs of some social enterprises have the support of pro-bono mentors and advisory board members to manage these situations. Nevertheless, there is a need for consistent professional mentorship for CEOs, as well as staff, to have support systems to cope with and build their capacity in an efficient manner. There are well-established management and leadership training modules currently followed by social enterprise ecosystem developers. From the interaction with CEOs of social enterprises, it was observed that the utility derived from these programs diminishes over time, as entrepreneurs/leaders outgrow the program content and the concepts do not refer to changing demands while entrepreneurs grow their businesses. Hence, development partners can support agencies to develop constantly-revised content which introduces relevant, up-to-date leadership modules that meet the specific challenges in growing social enterprises that need to recruit, train, and retain a growing number of employees. They should also support coaching and mentorship programs that provide this support directly to social enterprises.

Intensity of efforts: low ★☆☆
Impact on job creation: medium ★★☆
Time horizon: short-term

Support initiatives for continuous professional development (CPD) for existing employees in social enterprises:

– As social enterprises grow and increase their operational capacity, there is a need for their staff to improve their skills and be able to deal with this increased capacity. However, social enterprises face particularly big challenges in providing lifelong learning opportunities for existing employees, thereby making sure they can sustain necessary human resources and provide them with the skills that are needed for the social enterprises to grow and thrive. This support can be provided through various organizations that provide professional development programs that increase both the performance and the satisfaction of staff members.

Intensity of efforts: medium ★★☆
Impact on job creation: medium ★★☆
Time horizon: short-term

Enabling Environment

The third pillar of the recommendations focuses on interventions that can improve general conditions, that is, the enabling environment, in which social enterprises operate. This is particularly important as social entrepreneurship is weakly institutionalized in most countries across the globe, including Africa. They typically fill the gaps between private and third sector work as an alien type of organization. However, only if social enterprises become a recognized and well understood type of organization can they leverage sufficient support to grow and, thus, increase their importance as providers of employment opportunities.

Promoting the Growth of SEs

Collective influence

Social enterprises owing to their small size and being "a small fish in a big pond" typically have limited visibility and social capital. As a result, the interests of social enterprises do not get on the radar of policy makers or public discourse. Given the weak institutionalization of social enterprises in most countries, across the globe and in the focus countries of this report, it is essential to foster initiatives that strengthen the collective influence of social enterprises to help them become a recognized type of organization, both in terms of public awareness and legal status. This will help social enterprises receive the support that they need to grow and create the aspired impact. For this purpose, development partners should:

Support local social entrepreneurs to establish social enterprise bodies:

– Development partners, investors, and advisors should support social entrepreneurs to establish local social enterprise bodies that represent their interest in policy formulation, licensing requirements, tax governance mechanisms, and tariff regulations. So far, only five of this study's focus countries (Ghana, Ethiopia, South Africa, Tunisia, and Kenya) have social enterprise bodies. These bodies typically engage with a variety of players, above all governments, to enhance transparency and curate a long-term roadmap for social enterprise support. This intervention can be done on a government-to-government level, where consultative discussions and collaborations can be done

to improve infrastructure availability and infrastructure access in targeted countries. For example, in 2018, Reach for Change Ethiopia and British Council Ethiopia founded Social Enterprise Ethiopia which hosts social enterprise networking events and aims to work with the Ethiopian government to create policies that support social entrepreneurs.

Intensity of efforts: high ★★★
Impact on job creation: medium ★★☆
Time horizon: long-term

Convene national SE forums to influence policy:

– There is a need to establish national meetings which will create identity for social enterprises and disseminate social enterprise narratives into public domains. Conventions could also exert influence on policy making and can provide valuable feedback to governments on social enterprise development measures that can be implemented. Existing forums such as SANKALP, an annual event in Kenya and a platform attracting international players in the start-up and social enterprise scene, are interesting formats that may be replicated or further developed at national levels.[58]

Intensity of efforts: medium ★★☆
Impact on job creation: medium ★★☆
Time horizon: mid-term

Support the development of a platform that increases opportunities for partnerships to share learnings and promote collaboration:

– Currently, there is limited collaboration among social enterprises in a similar value chain or sector. This can be attributed to the risks of competition and duplication of business models. However, there is an opportunity for social enterprises to partner and complement each other. Platforms such as Siemens Stiftung's *empowering people. Network*[59] can augment collaboration across sectors, countries, and topics while, at the same time, ensuring prudent business practices. As members have reported, peer-learning and peer-consulting is of high value for social enterprises and contributes to their growth journey.

Intensity of efforts: medium ★★☆
Impact on job creation: low ★☆☆
Time horizon: mid-term

Public Service Provision

In many countries, governments are overwhelmed with the delivery of basic goods and services. Outsourcing this task to the private sector is a common measure for many public authorities. Social enterprises can be contracted by governments for specific service provisions, which would allow them to make long-term growth plans, including building up teams that perform the defined tasks. Development partners should support this by:

Promoting the preferential treatment of social enterprises in public procurement:

– By providing social enterprises with a competitive advantage in public tender processes, the growth of social enterprises and, thus, their job creation potential could be leveraged tremendously. As opposed to the dependence on grant or donation money, these types of contracts allow for long-term planning and thus job creation within social enterprises. Development partners, particularly those focused on policy making and good governance, should initiate discussions with national governments and advise on the design of such preferential treatment policies for social enterprises.

Intensity of efforts: high ★★★
Impact on job creation: high ★★★
Time horizon: long-term

Legal Institutionalization

None of the countries in this study have a specific legal structure for social enterprises. This is also the case on a global level with few exceptions like the United Kingdom. While the introduction of social enterprise legal structures is a challenging task, it is considered to be of utmost importance in order to move the concept to the next level:

Promote national efforts to introduce specific legal structures for social enterprises:

– Policymakers should increase efforts to develop a legal structure that considers both the impact and profit motivations of social enterprises. Such a measure would significantly facilitate the support of social enterprises. First, capital providers could follow clear routes of deploying their capital instead of having to find creative ways to invest in so-called double-bottom-line businesses, as is currently the case. Second, it would boost the development of all kinds of inter-linked services, norms, processes, and systems which would ultimately lead to faster identification and comparison of social enterprises. Third, it may also help to spread awareness about social enterprises. As repeatedly stated by experts in the ecosystems, there are many entrepreneurs who are not aware that they can be classified as social entrepreneurs - particularly ones that have limited exposure to international literature, non-English speakers, and entrepreneurs located in rural areas.

Intensity of efforts: high ★★★
Impact on job creation: high ★★★
Time horizon: long-term

Consumer behavior

An increasing number of satisfied customers is one of the keys to revenues and growth for SEs. For this reason, SEs must pay clear attention to their customers. In addition to possible subsidies for low-income levels and improved focus on specific customer needs, behavior change and building awareness are also important possible levers that should be supported by ecosystem players.

Curate mass awareness campaigns to influence behavior change:

– Uptake of services and products from social enterprises is dictated by consumer perception or lack of awareness about the utility of the products. Therefore, changes in behavior and perception are required to augment the uptake of products and services that provide a positive impact for the customers, their families, and living environment. This will then lead to an increase in revenue growth for social enterprises. Influencing behavior change can be achieved through conducting mass awareness campaigns or offering specific training. Alternatively, development partners can influence behavior change measures by supporting NGOs working on behavioral change aspects in the same geography. Hygiene or WASH related services or waste management services are good examples for sectors that need additional sensitization. Many social enterprises that provide affordable sanitation products such as sanitary pads or water disinfection solutions, for instance, start with awareness campaigns about hygiene and health to prepare their target customer market.

Intensity of efforts: high ★★★
Impact on job creation: medium ★★☆
Time horizon: long-term

Unleashing the potential of SEs to provide decent jobs

Talent pool
Accessing talent is a challenge for all types of organizations. Even more for social enterprises that are limited regarding the benefits that they can provide and the resources that they have for recruiting and employee retention. Development partners should thus:

Support the development of a common resource pool accessible for social enterprises (including high quality consultants, volunteers, etc.):

- From the case studies of social enterprises, it has been found that there is a need for critical technical services for social enterprises at different stages. Some of the key support services include advice on intellectual property rights, branding, legal, and information technology. Considering this critical need, development partners can support the creation of a common talent pool, which includes professionals who want to support social enterprises on a pro-bono basis and high-quality consultants. A vetting mechanism can be developed to categorize and onboard such professionals while talents can be given incremental capacity building training. For example, Siemens Stiftung has good experiences with the platform Moving Worlds that facilitates the connecting and matching process between pro-bono experts and SEs with a specific need for support. Thus, the enterprises can be provided with valuable expert support or consulting services that they otherwise would not afford.

  Intensity of efforts: medium ★★☆
  Impact on job creation: medium ★★☆
  Time horizon: mid-term

Develop or support existing job portals specialized on social enterprise job opportunities:

- Social enterprises do not have a separate identity among job seekers, even for certain enlightened individuals there are no dedicated platforms to identify job opportunities within the social enterprise space. A job portal dedicated specifically to social enterprise opportunities can bridge this supply and demand gap, as well as in creating a separate identity for social enterprises among job seekers. However, in many countries, these job portals remain unknown and thus ineffective in their mission to place talent in the impact space. The other possibility is that people who are currently employed in social enterprises can find opportunities within the social enterprise ecosystem itself, this can ensure talent retention at least at the ecosystem level. Acumen Fund, for instance, has provided social enterprise specific courses to job seekers and supported them subsequently in showcasing their profiles to the ecosystem through their channels.

  Intensity of efforts: medium ★★☆
  Impact on job creation: high ★★★
  Time horizon: mid-term

Engage with governments and academia to support the development of curriculums, apprenticeship initiatives for college graduates, and vocational courses that strengthen market-relevant skills (SE/Academia connect):

- There was a common concern among the CEOs of social enterprises covered as case studies in this report pertaining to the skill set and attitude of people graduating from colleges and vocational courses. As various CEOs reported, candidates are often not industry-ready and, hence, they had concerns in employing them directly after graduation. So, to create market/industry-ready talent, there is a need for curriculum development in educational institutions that is focused on social enterprise requirements. In countries like Ghana, there is an existing national apprenticeship program, wherein enterprises can identify new college graduates and request the program unit to employ them under the national apprenticeship program. But this program suffers from operational hassles and, as a result, there is a considerable time delay and many enterprises are demotivated to use this facility. Development partners can come together to nudge various governments and provide support to design and implement national apprenticeship programs that provide apprenticeship and job shadowing opportunities to graduates. There are examples of successful national apprenticeship programs in Africa, such as the Ajira program in Kenya which empowers young people to access digital job opportunities.

  Intensity of efforts: high ★★★
  Impact on job creation: high ★★★
  Time horizon: mid-term

Data Landscape

In most countries globally, the database of social enterprises is weak. Most studies are qualitative and provide valuable information about the way social enterprises work, including: the type of challenges that they face, and important factors that have led to success. However, quantitative studies remain very scarce, hence, generalizability, larger projections, and recommendations remain scattered. This study seeks to provide some generalizable information by adopting a mixed method of theoretical projections and deep-dive case studies. Yet, one group of recommendations that have been derived from this study relates to the need of increasing research efforts on social enterprises and their job creation potential, particularly in developing and emerging markets in Africa and elsewhere in the world. The following recommendations are stressed:

Promoting the Growth of SEs

Adopt a standard definition of social enterprises in developing markets:

– Social enterprises are a relatively new concept globally, and particularly in some of the target countries in this study. This has led to the adoption of varying definitions provided by international institutions and organizations like bodies from the European Union (EU), the Overseas Development Institute (ODI), GIZ, and World Bank.[60, 61] Research institutions could support a standard definition of social enterprises in developing markets to improve the quality and comparability of data. Over time, propagating a single definition will mean that researchers, advisors, and policymakers will be able to trust 'social enterprise' statistics across regions as all relating to a common, recognizable entity. A more credible definition of social enterprise and resulting statistics will lead to increased awareness and more informed, relevant, and specialized support from various players such as venture capital investors establishing specialized funding for SEs as referred to above. However, the definition of social enterprise may need to be broad enough to accommodate local nuances to familiarize the concept of social enterprise.

Share standard social enterprise survey templates:

– Social enterprise data in the target countries varies across different studies because each study uses a different approach to estimate social enterprise numbers, in the absence of strong survey data. Funders and research institutions could collaborate to create standardized survey templates for local social enterprise industry bodies which will collect social enterprise data in a standard format, thereby increasing comparability between social enterprises. For example, the Bertha Centre for Social Innovation and Entrepreneurship conducts surveys on social enterprises in South Africa, highlighting their opportunities and challenges to give a better understanding of them.

Deepen research on factors affecting the prevalence of social enterprises:

– There is limited research on the relationship between the prevalence of social enterprises in one country and the prevalence of certain demographic or socio-economic factors. Development partners could fund research institutions to explore whether there is a relationship between these data points. This will make future estimates of social enterprise numbers more robust and encourage a standard approach to creating such estimates.

Unleashing the potential of SEs to provide decent jobs

Extend and deepen research on factors affecting the job creation potential and the quality of jobs in social enterprises:

– While this study provides a first attempt to generalize findings about the job creation potential across selected African countries, further research is needed to validate, deepen, and further specify the findings. Looking at other developing and emerging countries and trying to estimate the job creation potential of social enterprises there is expected to motivate further efforts of development partners to invest in social enterprises as social impact creators and providers of decent jobs. This is particularly relevant in African countries where the working age population is projected to grow tremendously over the next decades. Also, research should focus on better understanding whether and how social enterprises can contribute to more diversity and equity in labor markets around the world.

VIII.

Outlook

This study has brought forth a range of recommendations on how social enterprises' job creation potential in Africa could be leveraged. Based on a macro-level analysis of social enterprise ecosystems in 12 focus countries, it has been found that social enterprises could create an additional 1 million jobs in these countries. In order to enable them to leverage their job creation potential, interventions are needed to strengthen the financial and technical ecosystem as well as the enabling environment.

STEP 1

STEP 2

STEP 3

STEP 4

We explicitly invite readers whose interest was raised through this report to get in touch with us. We are happy to integrate new stakeholders, discuss our approach, and refine our plans as needed to best contribute to the strengthening of social enterprises and enable them to become an even more important job supplier in African labor markets.

However, the definition of these possible interventions is just the beginning. At Siemens Stiftung, we are aware of the fact that more dedicated efforts from a range of involved players are needed to move from theory to practice. To support these efforts, a roadmap for the handling of the study's results has been developed:

(Q2 & Q3 2020): Baseline research

Analysis of future job creation potential in Africa

- Macro- and micro-level analyses on quantitative job creation potential of social enterprises in selected African countries by 2030
- Definition of multiple recommendations on how to financially and technically support social enterprises and improve their enabling environment

(Q4 2020): Publication & Validation

Dissemination and expert review of the findings

- **Distribution of report:** with the official launch of the study, the report will be distributed through Siemens Stiftung's network and channels.
- **Presentation of key findings and recommendations:** selected high-profile conferences, as well as own formats will be used to present key findings and recommendations and allow for questions to be raised and discussions to take place.
- **Multi-stakeholder roundtables:** follow-up stakeholder roundtable(s) will be organized on selected recommendations to allow for more specific working sessions with selected players that are interested and able to support the implementation of recommended interventions.

(Q1 and Q2 2021): Project development

Development of concrete project concepts based on the previous results of the study through joint efforts with relevant stakeholders

- **Project design:** In order to solidify the findings of this study, projects that involve concrete measures that leverage job creation potential of social enterprises need to be rolled out. To do so, selected recommendations need to be broken down to identify further information needs, relevant stakeholders, and implementation roadmaps.

(Q2 2021 and onwards): Project Implementation

Realization of the construction of concrete projects on site with relevant stakeholders

- **Project Implementation:** The recommendations of this study will only create positive social impact once projects will be launched and implemented successfully. This requires concerted actions from a broad range of stakeholders who we envision to implement concrete projects in Africa in 2021 and onwards.

IX.

Appendix

EUROPE

	Austria	Belgium	Bulgaria	Croatia	Cyprus	Czech Republic	Denmark	Estonia	Finland	France	Germany	Greece
No. of SMEs	321,358	601,550[A]	325,892[A]	146,197[A]	48,280[A]	999,045[A]	210,093[A]	67,919[A]	228,408[A]	2,960,000[B]	2,600,000[C]	789,975[A]
No. of Social Enterprises	1,535[D]	3,170[E]	3,674[F]	526[G]	190[H]	3,773[I]	411[J]	121[K]	1,181[L]	96,603[M]	300,000[N]	1,148[O]
SE/SME (%)	0.48%	0.53%	1.13%	0.36%	0.39%	0.38%	0.20%	0.18%	0.52%	3.26%	11.54%	0.15%

	Hungary	Ireland	Italy	Latvia	Lithuania	Luxembourg	Malta	Netherlands	Poland	Portugal	Norway	Romania
No. of SMEs	535,536[A]	968,881	3,746,109	109,642[A]	186,095[A]	31,766[A]	26,006[A]	1,091,150[A]	1,603,345[A]	868,639	292,816[A]	456,289[A]
No. of Social Enterprises	15,855[O]	3,376[O]	102,461	200[O]	3,475[O]	928[O]	45[O]	5,500[O]	29,535[O]	7,938	250[O]	6,317[O]
SE/SME (%)	2.96%	0.35%	2.74%	0.18%	1.87%	2.92%	0.17%	0.50%	1.84%	0.91%	0.09%	1.38%

	Slovakia	Slovenia	Spain	Sweden	United Kingdom
No. of SMEs	429,094[A]	134,457[A]	2,463,074[A]	685,746[A]	5,894,100[U]
No. of Social Enterprises	3,737[O]	1,393[O]	9,680[V]	3,000[O]	471,000[W]
SE/SME (%)	0.87%	1.04%	0.39%	0.44%	7.99%

ASIA

	Georgia	India	Indonesia	Malaysia	Turkey	Vietnam
No. of SMEs	66,810[X]	63,388,000[Y]	57,895,721[Z]	907,065[AA]	2,672,458[BB]	508,060[CC]
No. of Social enterprises	70[DD]	2,000,000[EE]	342,000[FF]	7,257[GG]	9,000[HH]	19,000[II]
SE/SME (%)	0.10%	3.16%	0.59%	0.80%	0.34%	3.74%

AFRICA

	Egypt	Ethiopia	Ghana	Kenya	Tunisia
No. of SMEs	2,500,000[JJ]	800,000[KK]	721,958[LL]	1,560,000[MM]	600,000[NN]
No. of Social enterprises	55,000[OO]	55,000[PP]	26,275[QQ]	40,000[RR]	30,000[SS]
SE/SME (%)	2.20%	6.88%	3.64%	2.56%	5.00%

A Eurostat (2018): Statistics on small and medium-sized enterprises.
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D European Commission (2020): Social Enterprises and their Ecosystem in Europe. Country Report Austria.
E European Commission (2014): A map of social enterprises and their eco-system in Europe. Country Report: Belgium.
F European Commission (2019): Social Enterprises and their Ecosystem in Europe. Country Report Bulgaria.
G European Commission (2019): Social Enterprise and their Ecosystem in Europe. Country Report Croatia.
H European Commission (2019): Social Enterprise and their Ecosystem in Europe. Country Report Cyprus.
I European Commission (2018): Social Enterprise and their Ecosystem in Europe. Country Report Czech Republic.
J European Commission (2018): Social Enterprise and their Ecosystem in Europe. Country Report Denmark.
K European Commission (2019): Social Enterprise and their Ecosystem in Europe. Country Report Estonia.
L European Commission (2018): Social Enterprise and their Ecosystem in Europe. Country Report Finland.
M European Commission (2019): Social Enterprise and their Ecosystem in Europe. Country Report France.
N Social Entrepreneurship Netzwerk Deutschland (2019): Deutscher Social Entrepreneurship Monitor 2019.
O European Commission (2020): Social Enterprise and their Ecosystem in Europe. Comparative Synthesis Report.
P An Phriomh-Oifig Staidrimh Central Statistics Office (2015): Business In Ireland 2015.
Q European Commission (2018): 2018 SBA Fact Sheet Italy.
R European Commission (2018): 2018 SBA Fact Sheet Portugal.
S European Commission (2020): Social Enterprise and their Ecosystem in Europe. Country Report Italy.
T European Commission (2019): Social Enterprise and their Ecosystem in Europe. Country Report Portugal.
U Merchant Savvy (2020): UK SME Data, Stats & Charts.
V European Commission (2019): Social Enterprise and their Ecosystem in Europe. Country Report Spain.
W Gov.UK (2017): Social Enterprise: Market Trends 2017.
X EU4Business (2017): Country Report Georgia. Investing in SMEs In the Eastern Partnership.
Y Government of India - Ministry of Micro, Small and Medium Enterprises (2017-18): Annual Report.
Z World Bank Group – International Finance Corporation (2016): Women- owned SMEs in Indonesia: A Golden Opportunity for Local Financial Institutions.
AA SMEinfo (2016): Here is Why SME Matters in Malaysia.
BB European Commission (2017): 2017 SBA Fact Sheet Turkey.
CC Asean-CSR-Network (2015): Overview Report: Challenges of small and medium enterprises in Vietnam in meeting the requirements of the Trans-Pacific Partnership Agreement (TPP) on Environment and Corporate Social Responsibility.
DD European Commission (2018): Social Economy in Eastern Neighbourhood and in the Western Balkans. Country report - Georgia.
EE Bertelsmann Stiftung (2018): The Indian Social Enterprise Landscape.
FF Pioneers Post - British Council (2018): Millennials lead social enterprise surge in Indonesia.
GG British Council (2018): The State of Social Enterprise in Malaysia.
HH British Council (2019): The State of Social Enterprise in Turkey.
II Pioneers Post - British Council (2019): Vietnam's vibrant social enterprise sector has more to give.
JJ Oxford Business Group (2020): SMEs key to sustainable growth of Egypt`s industry.
KK Ada asbl & First Consult PLC (2017): Small and Growing Businesses in Ethiopia.
LL Trading economics (2020): Ghana -Total Businesses Registered.
MM Kenya Association of Manufacturers (2020): The Focus on SMEs is a welcome Intervention.
NN European Commission (2017): The EU Proposal on Small, Medium-sized Enterprises (SMEs).
OO A. Seda & M. Ismail (2019): Challenges facing social entrepreneurship.
PP Pioneers Post - British Council (2018): A collective voice for social enterprise in Ethiopia.
QQ British Council (2016): The state of social enterprise in Ghana.
RR British Council (2016): The state of social enterprise in Kenya.
SS World Bank Group (2017): Social Entrepreneurship in Tunesia.

Number of SMEs in Focus Countries

	Total number of SMEs	Total number of jobs in SMEs	Job creation per SME	Source Total Number of SMEs	Source Total number of jobs in SMEs	Source Job creation per SME
Cote d'Ivoire	203,491	735,000	3.61	World Bank (2017): MSME Finance Gap: Assessment of the Shortfalls and Opportunities in Financing Micro, Small, and Medium Enterprises in Emerging Markets.	Dutch Good Growth Fund (DGGF): Ivory Coast. Key Challenges for the "Missing Middle".	Total number of jobs in SMEs/Total number of SMEs
Egypt	2,453,567	21,648,750	8.82	World Bank (2017): MSME Finance Gap: Assessment of the Shortfalls and Opportunities in Financing Micro, Small, and Medium Enterprises in Emerging Markets.	Amount of SMEs: Oxford Business Group (2020): SMEs key to sustainable growth of Egypt's industry. Workforce: Ahram Online(2019): Egypt's labor force reached 28.9 million in 2018, 90% employment rate: CAPMAS.	Total number of jobs in SMEs/Total number of SMEs
Ethiopia	800,000	1,223,700	8.96	ADA asbl & First Consult PLC (2017) Ada Micro-finance Pg 4	Ethiopian Economic Association (2015): Small and Micro Enterprises (SMEs) Development in Ethiopia. Policies, Performances, Constraints and Prospects	Total number of jobs in SMEs/Total number of SMEs
Ghana	1,777,209	7,535,365	4.24	Total number of jobs in SMEs/ Job creation per SME	Korea Development Institute(2003): Building the foundation for the development of SMEs in Ghana. Working age population (2019) & employment rate (2019): World Bank Open Data.	Average of Job Creation per SME
Kenya	1,560,500	6,291,887	4.03	World Bank (2017): MSME Finance Gap : Assessment of the Shortfalls and Opportunities in Financing Micro, Small, and Medium Enterprises in Emerging Markets.	Viffa Consult (2018): Kenyan SME Finance Survey. Working age population (2017) & employment rate (2017): World Bank Open Data.	Total number of jobs in SMEs/Total number of SMEs
Morocco	1,410,000	4,448,902	3.16	World Bank (2017): MSME Finance Gap: Assessment of the Shortfalls and Opportunities in Financing Micro, Small, and Medium Enterprises in Emerging Markets.	African Development Bank Group(2013): Catalyzing Job Creation and Growth Through MSME Development in the Deauville Partnership Countries. Working age population (2017) & employment rate (2017): World Bank Open Data.	Total number of jobs in SMEs/Total number of SMEs
Nigeria	36,994,578	41,586,410	1.12	World Bank (2017): MSME Finance Gap: Assessment of the Shortfalls and Opportunities in Financing Micro, Small, and Medium Enterprises in Emerging Markets.	Premium Times (2020): Small, medium enterprises account for 84 per cent of jobs in Nigeria. Working age population (2017) & employment rate (2017): World Bank Open Data.	Total number of jobs in SMEs/Total number of SMEs

	Total number of SMEs	Total number of jobs in SMEs	Job creation per SME	Source Total Number of SMEs	Source Total number of jobs in SMEs	Source Job creation per SME
Rwanda	123,496	523,623	4.24	World Bank (2017): MSME Finance Gap: Assessment of the Shortfalls and Opportunities in Financing Micro, Small, and Medium Enterprises in Emerging Markets.	Total number of SMEs * Job creation per SME	Average of Job Creation per SME
Senegal	300,000	1,437,255	4.79	GIZ (2016): Promoting the competitiveness and growth of small and medium-sized enterprises and capacity development in the microfinance sector.	GIZ (2016): Promoting the competitiveness and growth of small and medium-sized enterprises and capacity development in the microfinance sector. Working age population (2016) & employment rate (2016): World Bank Open Data.	Total number of jobs in SMEs/Total number of SMEs
South Africa	2,182,283	9,100,000	4.17	Bureau for economic research (2016): The small, medium and micro enterprise sector of South Africa.	ClockWork (2020): An Overview of the SME Landscape in South Africa.	Total number of jobs in SMEs/Total number of SMEs
Tunisia	601,416	877,500	1.46	World Bank (2017): MSME Finance Gap: Assessment of the Shortfalls and Opportunities in Financing Micro, Small, and Medium Enterprises in Emerging Markets.	African Development Bank Group(2013): Catalyzing Job Creation and Growth Through MSME Development in the Deauville Partnership Countries.	Total number of jobs in SMEs/Total number of SMEs
Uganda	1,100,000	2,500,000	2.27	Fortune of Africa (2020): https://fortuneofafrica.com/ug/micro-small-and-medium-enterprises-msmes-in-uganda/.	Uganda Investment Authority (2016): SMEs Driving the Economy.	Total number of jobs in SMEs/Total number of SMEs
Total	**48.843.173**	**97.908.392**	**Average: 4,24**			

Country	Annual Growth of Employment Rate
Côte d'Ivoire	2.55%
Egypt	1.81%
Ethiopia	2.67%
Ghana	2.10%
Kenya	2.55%
Morocco	0.91%
Nigeria	2.64%
Rwanda	2.44%
Senegal	2.90%
South Africa	1.23%
Tunisia	0.57%
Uganda	3.28%

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12 The large number of SMEs in Nigeria is related to the large size of the population & economy in Nigeria but also to the fact that collection of data about SMEs has been improved in Nigeria, thus yielding higher reported numbers of SMEs. As also reported by World Bank, Nigeria accounts for 84% of all MSMEs in Sub-Saharan Africa. For more information, see: World Bank (2017): MSME Finance Gap: Assessment of the Shortfalls and Opportunities in Financing Micro, Small, and Medium Enterprises in Emerging Markets.

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