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

Supported by
Invest for Jobs
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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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Main Authors / Editing Partners

Emily Barran (Open Capital)
Dr. Aline Laucke (Studio Nima)
Leonhard Nima (Studio Nima)
Mukund Prasad (Intellecap Advisory Services)
Carola Schwank (Siemens Stiftung)

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Content

I.

Executive Summary

Social Enterprises' Role in African Labor Markets

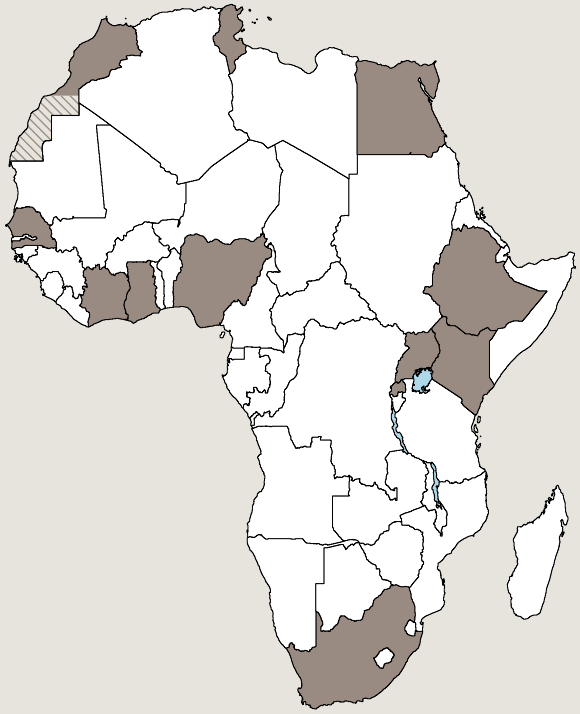
In 2030, Africa's working age population is expected to reach 1 billion people, with further growth expected. Development experts therefore keep emphasizing the importance of creating more and better jobs to create decent living conditions and sustainable economic growth for this growing population. 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

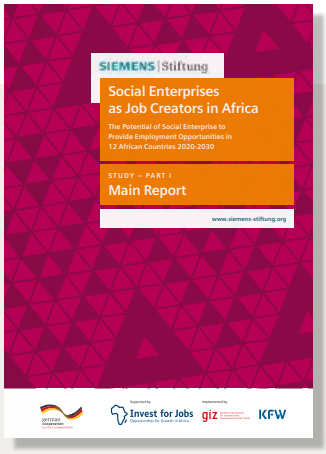
This study is commissionned by the Special Initiative on Training and Job Creation of the German Federal Ministry for Economic Cooperation and Development (BMZ), which is implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. Siemens Stiftung has approached the task of 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

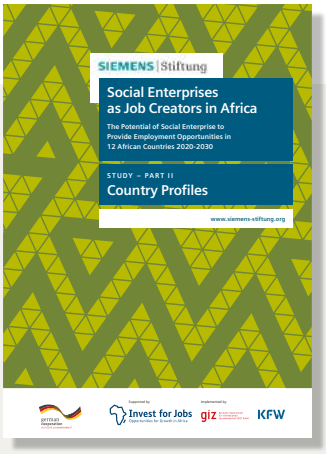
Given the lack of robust quantitative data about the prevalence of social enterprises and their job creation potential, the authors developed a multi-step iterative approach. For the macro-level analysis, a theoretical model based on proxies (particularly the number of SMEs and the job growth dynamics 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

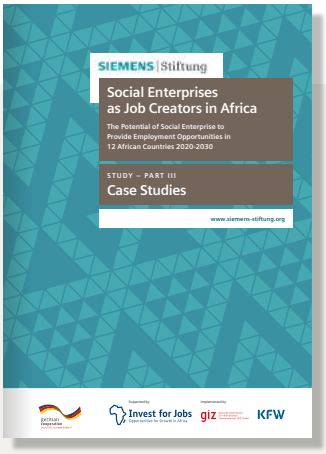
A main comprehensive document that contains the overall findings of the study. This includes specific recommendations and detailed elaborations about the approach and methodology.



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.

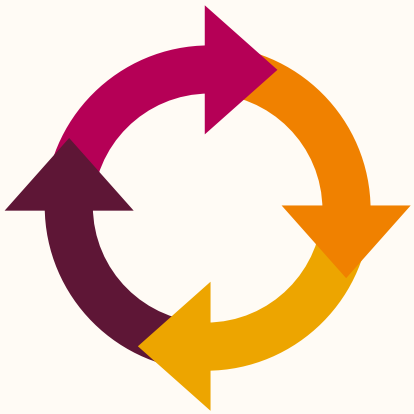
The countries considered in this study are Côte d'Ivoire, Ghana, Nigeria, Senegal, Egypt, Morocco, Tunisia, Ethiopia, Kenya, Uganda, Rwanda and South Africa – referred to as 'target countries' in this report.
Further details on the theoretical approach that underlies this study are explained in the next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



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

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

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).

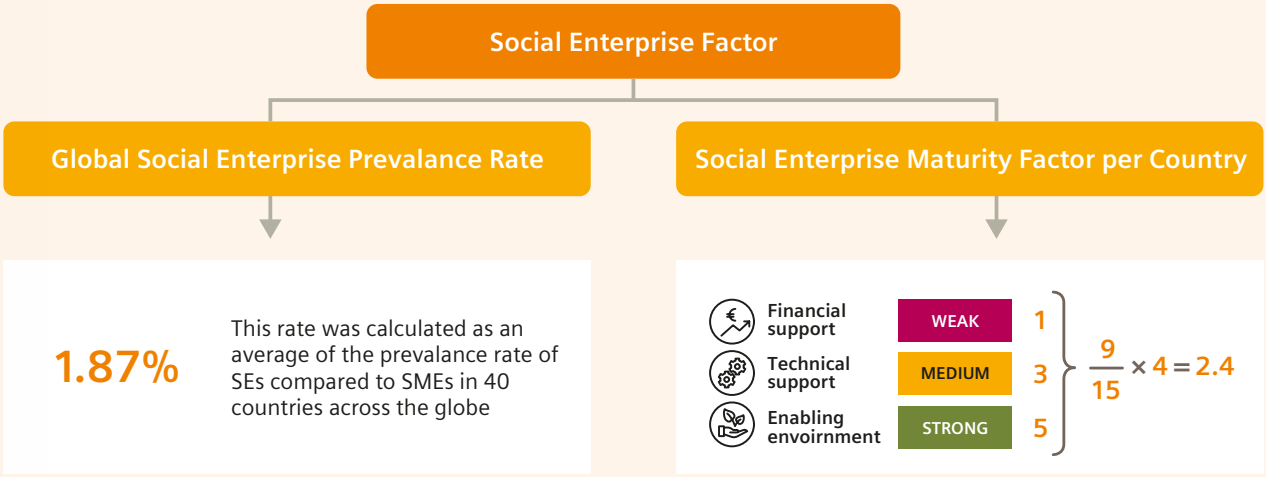


Figure 2
Calculation of the Social Enterprise Factor

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:

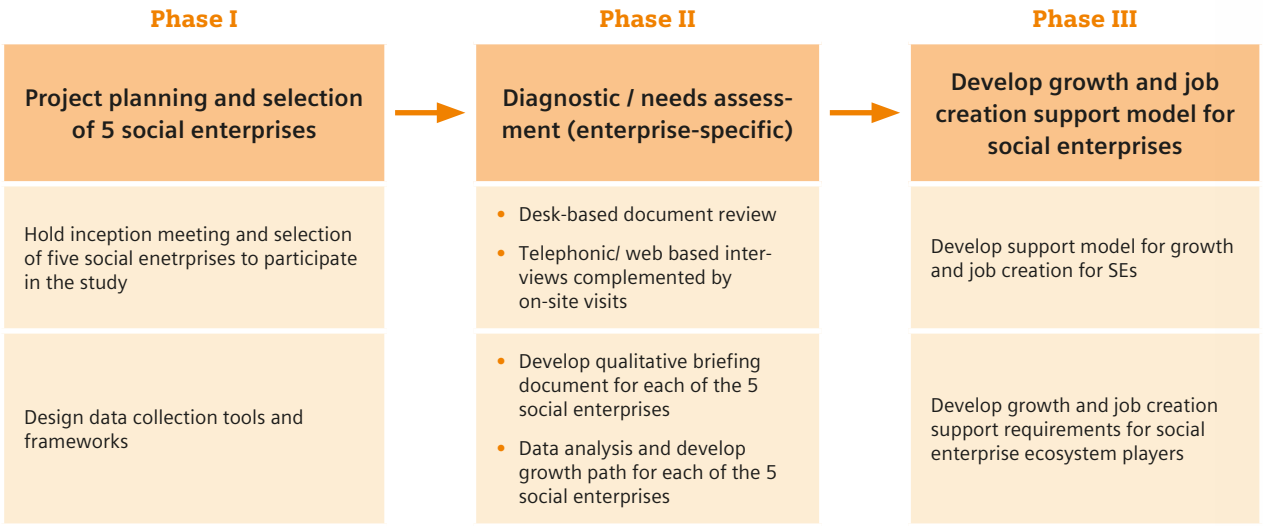


Figure 4:
Overview of Case Study Approach

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.

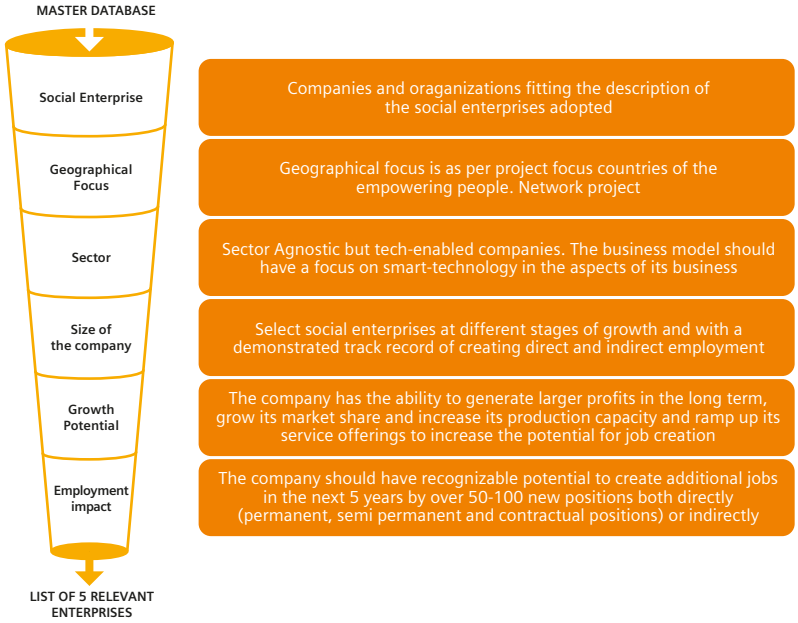


Figure 5:
Framework for the description of Social Enterprises

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.

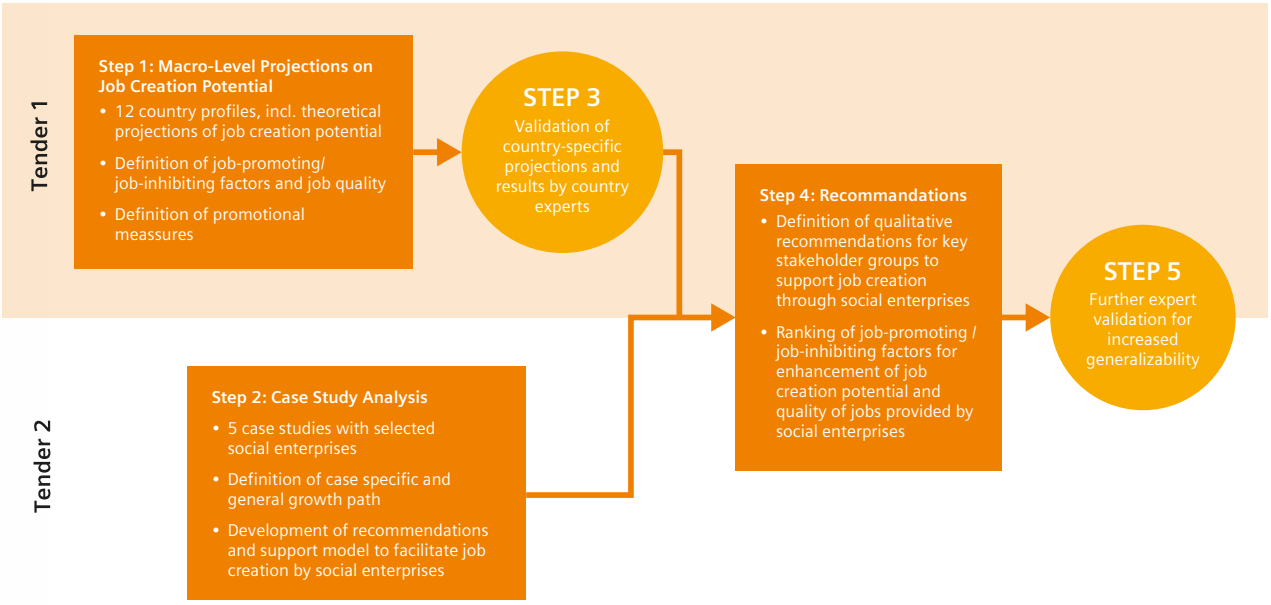


Figure 8:
Validation Process of Research Results

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.

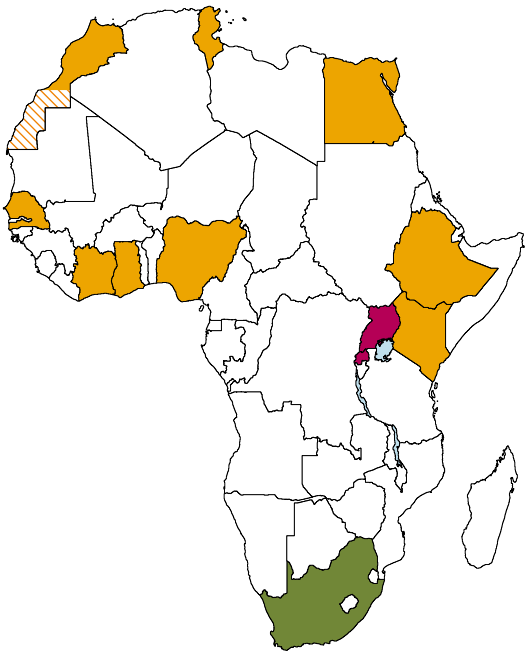


Figure 11:
Overall ecosystem strength in the target countries

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.

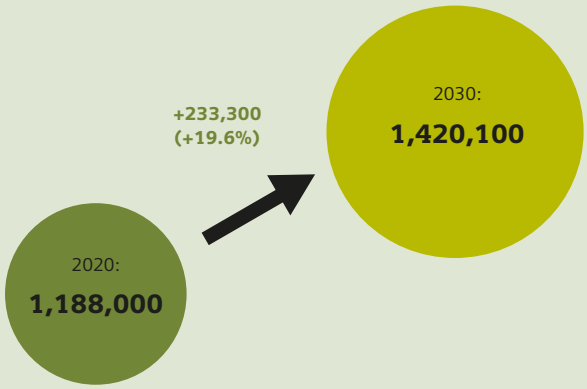
In terms of the business environment, **most countries rank poorly in the Ease of Doing Business index,** with seven countries attaining a score of more than 100 due to the high costs of setting up businesses, including social enterprises (e.g. USD $ 6,150 to acquire an LLC license in Senegal) and low 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.

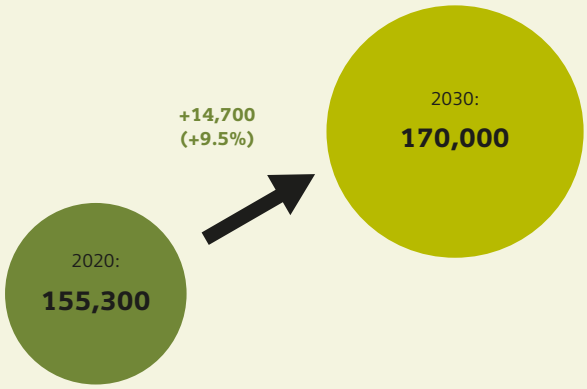
Strong
Technical support ecosystem
- Network of more than 55 technical support organizations, mainly located in Cairo.
- Limited support to social enterprises outside of Cairo.

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.

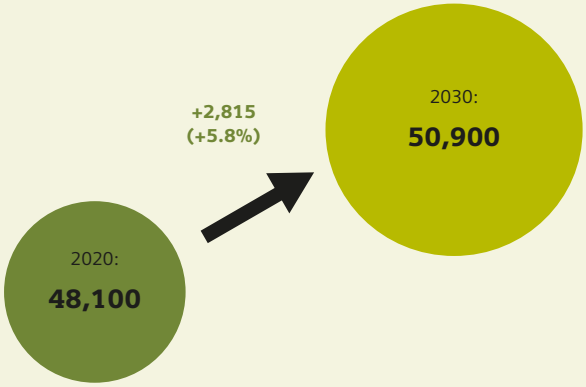
Medium
Technical support ecosystem
- Strong network of more than 30 technical support organizations and NGOs.
- Lack of technical and educational support for entrepreneurs in (rural) areas outside of major cities.

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.

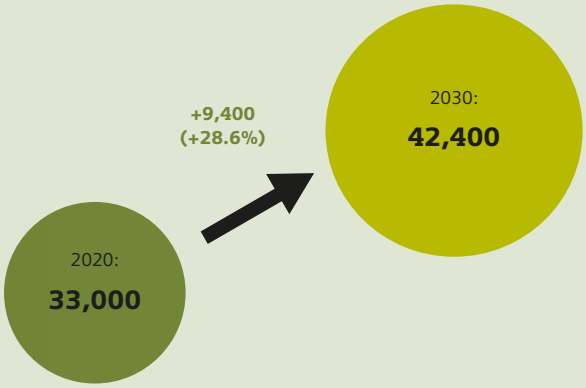
Medium
Technical support ecosystem
- Strong network of 60 support organizations offering high-quality services also to social enterprises in rural areas.
- However, limited long-term technical support to non-grant-funded interventions.

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.

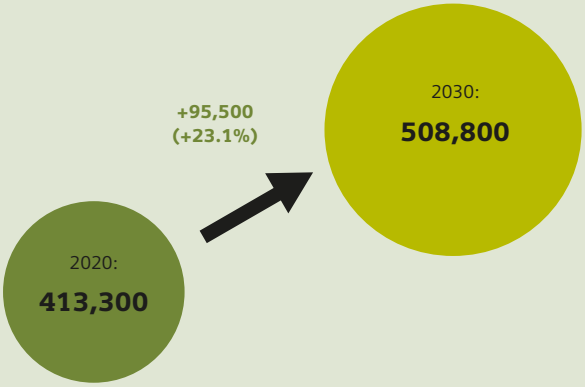
Medium
Technical support ecosystem
- Emerging network of 22 technical support organizations, however, concentrated in Abidjan.

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.

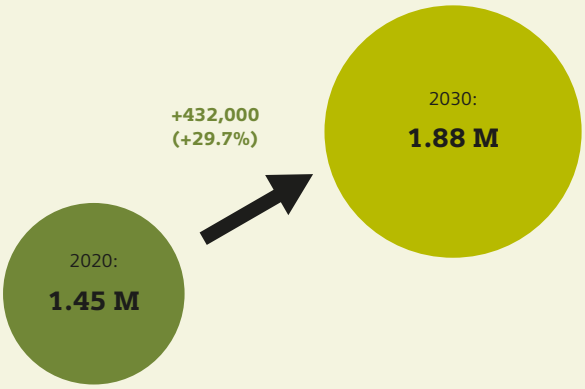
Medium
Technical support ecosystem
- Vibrant technical support network consisting of 153 organizations.
- However, services are skewed towards early-stage businesses.

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.

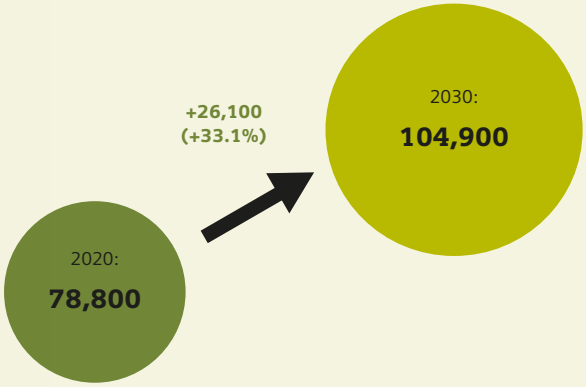
Medium
Technical support ecosystem
- Strongest technical support system of West Africa, consisting of 90 organizations.
- Most of the support is skewed towards tech-enabled social enterprises, limiting support to other key sectors.

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.

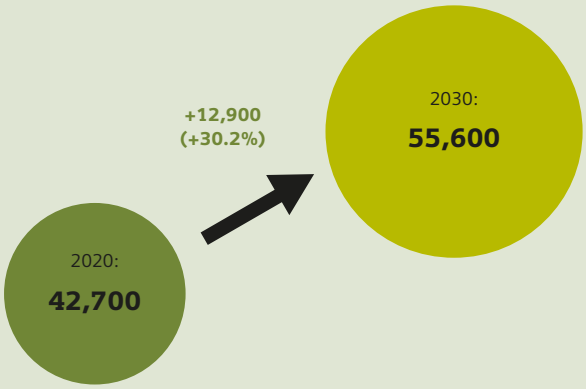
Medium
Technical support ecosystem
- Emerging ecosystem of technical support providers, however, mainly focusing on tech-focused businesses.

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.

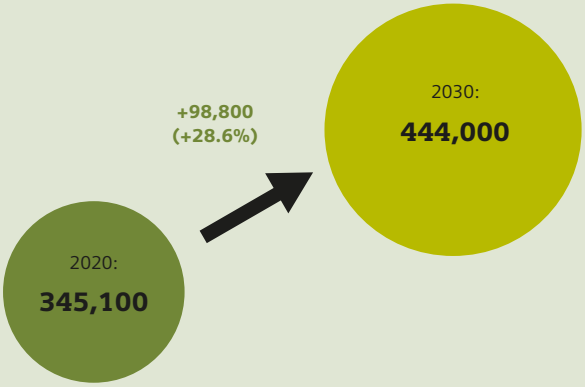
Weak
Technical support ecosystem
- Small network of 27 technical support organizations.
- Mismatch between social enterprises and support organizations in the capital, Addis Ababa.
- Support system focuses on agricultural sector.

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.

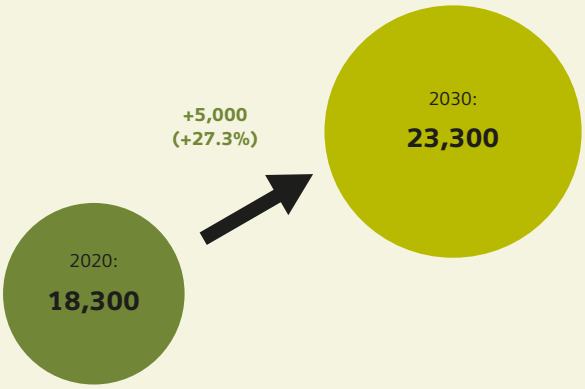
Strong
Technical support ecosystem
- More than 120 organizations offer technical support to social enterprises, however, many are skewed towards tech-enabled business models.

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.

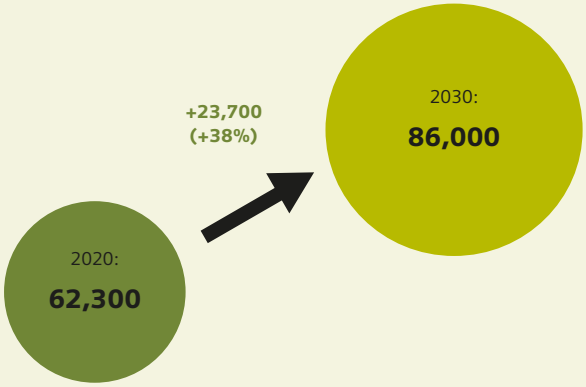
Weak
Technical support ecosystem
- Small existing support system of 12 entities.
- Existing organizations cannot meet the increasing need for (technical) supportive services.
- Support services mainly focus on the agricultural sector.

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.

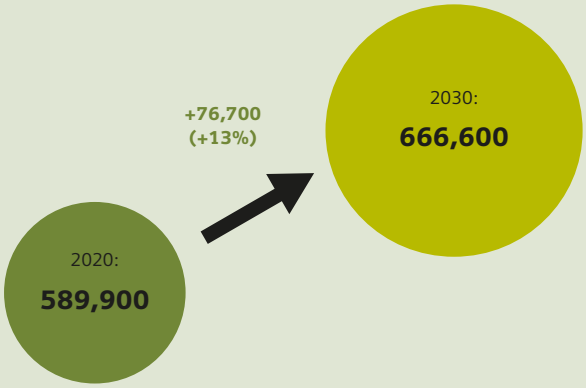
Medium
Technical support ecosystem
- 68% of entrepreneurs in Kampala belong to peer networks.
- Lacking accessibility of technical support systems for social businesses outside Kampala as they are almost all concentrated in this region.
- Limited availability of pre-investment support.

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.

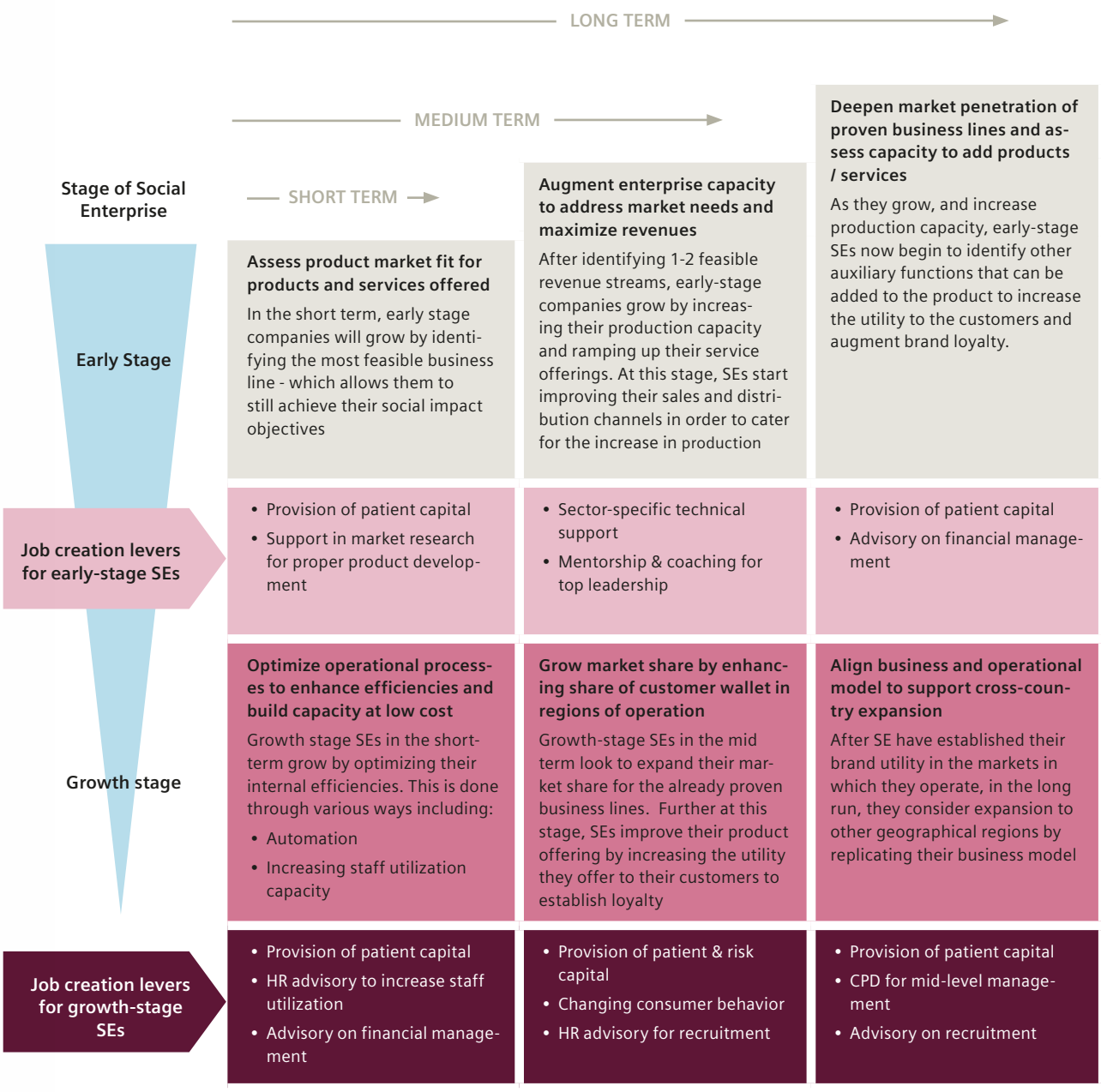


Figure 90:
Growth Model of Social Enterprises

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.

Recommen-dations

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.

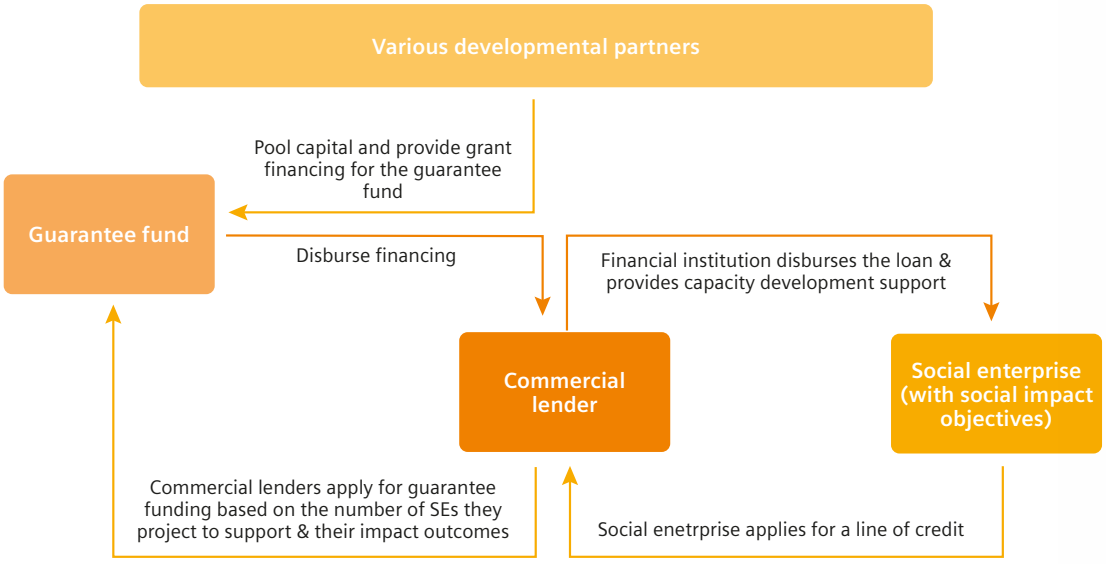


Figure 92:
Summary of the guarantee fund set-up

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

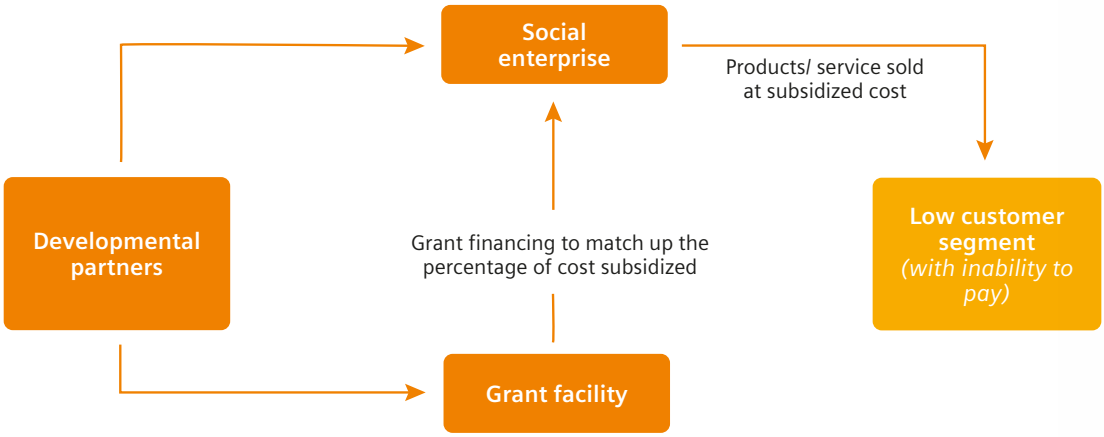


Figure 93:

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.

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	Den-mark	Estonia	Finland	France	Germa-ny	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 Enterpri-ses	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	Lithua-nia	Luxem-bourg	Malta	Nether-lands	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 Enter-prises	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%

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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.
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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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Imprint

AUTHORS OF THIS STUDY

Open Capital Advidors, Kenya
Open Capital Advisors (OCA) is a management consulting and financial advisory firm that drives growth, enables investment, and builds markets across Africa. We help businesses, investors, development partners, and the public sector identify opportunities and deliver unique, impactful solutions. Since 2010, we have completed more than 600 engagements across 20 countries in Sub-Saharan Africa and for global clients focused on Africa. Our locally based team of over 120 offers experience from the world's top consultancies, private equity firms, investment banks, and development organizations including Boston Consulting Group, Citigroup, Credit Suisse, IFC, McKinsey, and The World Bank.

Emily Barran
Millie Maina
Martin Slawek
Irene Hu
Lisa Kuhunya-Maina
Veronica Omondi
Rodney Carew

Intellecap/Aavishkaar Group, Kenya
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Mercy Mangeni
Vivekanandhan T
Mukund Prasad
Christine Gachui
Karnika Yadav

Studio Nima
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Dr. Aline Laucke
Leonhard Nima

Project Management
Carola Schwank
Development Cooperation
Siemens Stiftung

About Siemens Stiftung

As a non-profit foundation, Siemens Stiftung promotes sustainable social development, which is crucially dependent on access to basic services, high-quality education, and an understanding of culture. To this effect, the foundation's project work supports people in taking the initiative to responsibly address current challenges. Together with partners, Siemens Stiftung develops and implements solutions and programs to support this effort, with technological and social innovation playing a central role. The actions of Siemens Stiftung are impact-oriented and conducted in a transparent manner. The foundation's empowering people. Network connects inventors and entrepreneurs who have developed simple technical solutions, and helps to expand their social impact in developing regions. By initiating new forms of collaboration and technology transfer, it supports its members on their way to scale, replicate and expand.
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Liable for the content
Siemens Stiftung
Rolf Huber, Managing Director
Kaiserstraße 16
80801 Munich
Phone: +49 89 / 54 04 87-0
info@siemens-stiftung.org
www.siemens-stiftung.org

Editing
Dr. Aline Laucke, Studio Nima
Leonhard Nima, Studio Nima
Carola Schwank, Siemens Stiftung

Design
hesh.design
Goebenstraße 19
65195 Wiesbaden
Timm Fleckenstein
Melina Schmidt
Daniel Herbert

Siemens Stiftung

Kaiserstraße 16
80801 Munich
Germany

Info@siemens-stiftung.org
www.siemens-stiftung.org

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Social Enterprises as Job Creators in Africa

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

STUDY – PART II

Country Profiles

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KFW

Country Profiles

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

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.

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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.
www.invest-for-jobs.com

Main Authors / Editing Partners

Emily Barran (Open Capital)
Dr. Aline Laucke (Studio Nima)
Leonhard Nima (Studio Nima)
Mukund Prasad (Intellecap Advisory Services)
Carola Schwank (Siemens Stiftung)

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Content:

I. Introduction

Social entrepreneurship has caught the attention of both African entrepreneurs and (global or local) investors or supporters. With social business models being designed around revenue generation, social enterprises are often hailed as being particularly efficient, scalable, and sustainable in the pursuit of their social mission. They are also expected to create employment opportunities in markets that so far remain neglected by traditional commercial market players for their limited profitability. For many social enterprises creating jobs or income opportunities for particularly vulnerable populations is a central objective of their innovative business models.

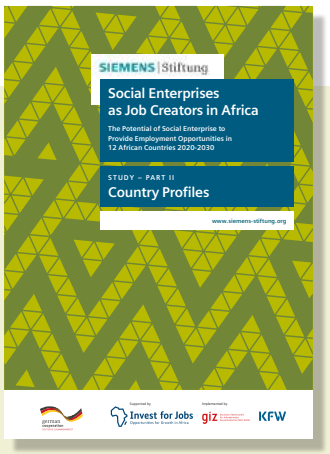
However, knowledge about the actual job creation potential of social enterprises remains fragmented and often anecdotal. Commissioned by the Gesellschaft für Internationale Zusammenarbeit (GIZ), Siemens Stiftung has approached the task of quantifying and better understanding the job creation potential of social enterprises in selected African countries. 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.

This document features elaborated country profiles for 12 countries: Côte d'Ivoire, Egypt, Ethiopia, Ghana, Kenya, Morocco, Nigeria, Rwanda, Senegal, Tunisia, Uganda, and South Africa. These profiles are a central part of the larger study "Social Enterprises as Job Creators in Africa" that has been published in three parts:

PART I

Main Report

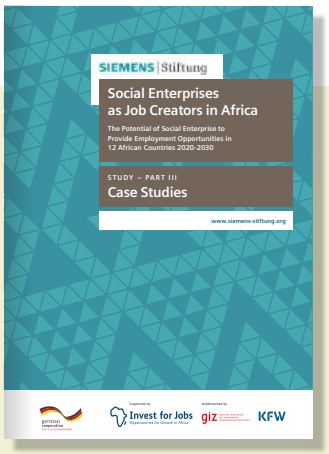
A main comprehensive document that contains the overall findings of the study about the job creation potential of social enterprises in Africa. This also includes the specific recommendations, as well as detailed elaborations about the approach and methodology that has been applied to conduct the study.



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.

We hope the country profiles in this second part of the publication series will inform players who seek detailed information about the countries, such as analysts, potential investors and local organizations or other stakeholders whose mission is related to the creation of decent jobs in Africa. For an embedded perspective on the country profiles as part of the larger study, please refer to the main document (Part I).

II. Methodology and Approach

Quantitative estimations about the social enterprise space are challenging. The lack of a widely agreed upon definition for "social enterprise" as well as the lack of robust data are obstacles that hinder the faster development of research-based insights and recommendations. Based on a screening of applied definitions of social enterprise, this study is based on an understanding of social enterprise as defined by the following core elements:

> *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.*

Regarding the quantification of the job creation potential of social enterprises, the authors developed a theoretical model based on proxy data about the 12 focus countries.

In particular, the number of small- and medium-sized enterprises (SMEs) was identified as an important proxy to estimate the number of social enterprises. A social enterprise prevalence rate for each country was calculated by considering the strength of social enterprise ecosystems as an influential factor regarding the emergence and survival of social enterprises. Furthermore, the expected number of jobs that social enterprises will provide until 2030 have been estimated based on historical data about job growth in the focus countries. It has to be noted that these estimations have been made in a rather conservative way. This means that the numbers provided in this report refer to the minimum job creation potential of social enterprises and may be overperformed depending on the scope and intensity of implemented interventions.

More detailed information about the methodology to develop the country profiles can be found in the main document of the study "Social Enterprises as Job Creators in Africa".

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 of the Main Report, a theoretical quantitative model was built to inform the country profiles, which allowed a 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 5.3 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.[2]

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[1]	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 1:
Estimated country demographics, number of social enterprises, job numbers (2020 and 2030) and the expected increase per country

As Figure 1 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.[3,4] 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.[5] In Ghana, the government provides high quality inputs to smallholder farmers through its 'Planting for Food and Jobs' initiative.[6] 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.[7] 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.[8] 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 labour markets in Africa, like elsewhere in the world.

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.[9] 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.[10] 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.[11] 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.[12] 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.**[13] 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.[14] On average, 71% of all jobs in the target countries are in the informal sector.[15] 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.[16] 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.[17,18] Economies are expected to begin recovery in 2021, with average growth rates of 4.1% and 3.4% in the two regions.[19,20]

REGION	COUNTRY	PRE-COVID-19 GDP GROWTH RATES (2020)[21]	POST-COVID-19 GDP GROWTH RATES (2020)[22,23]	POST-COVID-19 GDP GROWTH RATES (2021)[24,25]
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 2:
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.[26] 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 3 shows the assessment of all focus countries' social enterprise ecosystems.

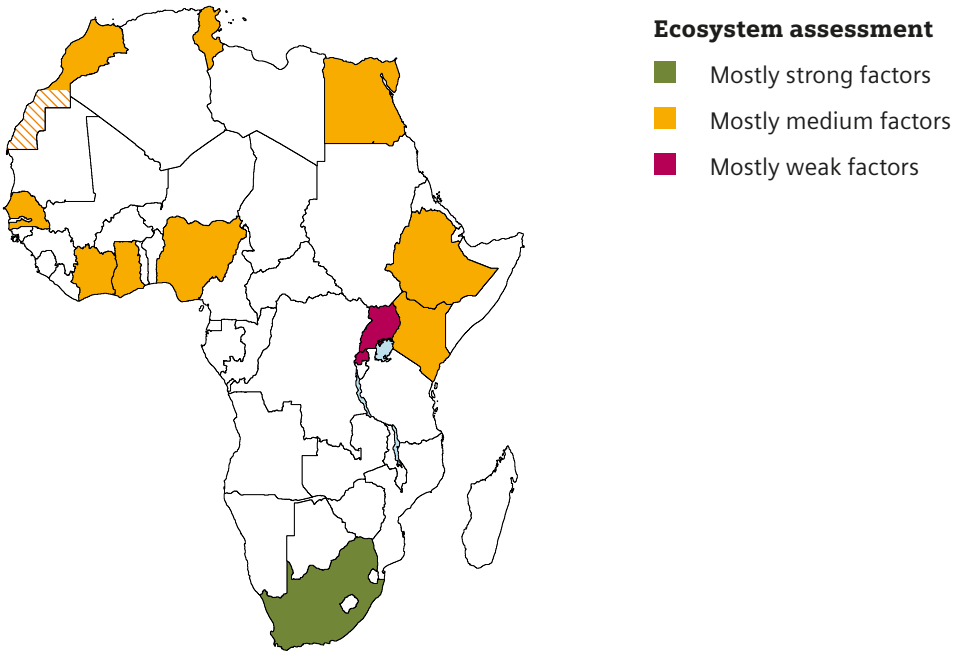


Figure 3:
Overall ecosystem strength in the target countries

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.[27] 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.[28]

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.[29] 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.[30]

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.[31]

In Egypt, angel investors such as Cairo Angels invested more than USD $2 million in 2017 in businesses, including social enterprises.[32]

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.[33]

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.

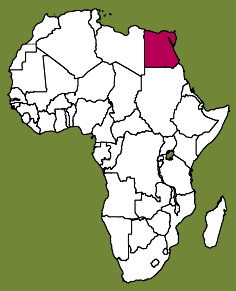
Small- and medium-sized enterprises (SMEs) and private sector industry bodies exist across the target countries. However, **only five of the countries (Ghana, Ethiopia, South Africa, Tunisia, and Kenya) have social enterprise industry bodies.** The lack of social enterprise industry bodies in seven of 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.[34] 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).[35,36] 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.

III.

12 Selected African Countries



EGYPT

Northern Africa: Egypt

Overview

Egypt had a GDP of USD $280 billion in 2019 and a population of 102.3 million in 2020.[37,38] It has approximately 2.5 million small- and medium-sized enterprises (SMEs) which provide 27.5 million jobs, 14% being formal employment.[39,40,41]

The International Monetary Fund's (IMF) initial estimates (post-COVID-19) expect Egypt's economy to grow at a rate of 2.8% in 2021, an adjustment of -2.8% from pre-COVID-19 estimates, after 2.0% growth in 2020.[42] This study estimated that around 135,000 social enterprises are active in Egypt in 2020, directly employing approximately 1,187,000 people.[43] The population is expected to grow by 1.9% annually, leading to a working age population (15-64) of 75.6 million people in 2030.[44]

This study estimates there will be approximately 1,420,000 direct jobs in social enterprises in Egypt by 2030, 233,000 more than in 2020. As discussed further below, financial and technical support from the government, increased microfinance lending, and digital and mobile financial products are expected to drive these jobs. Figure 4 shows the total number of direct jobs projected to be in social enterprises in 2020 and 2030.

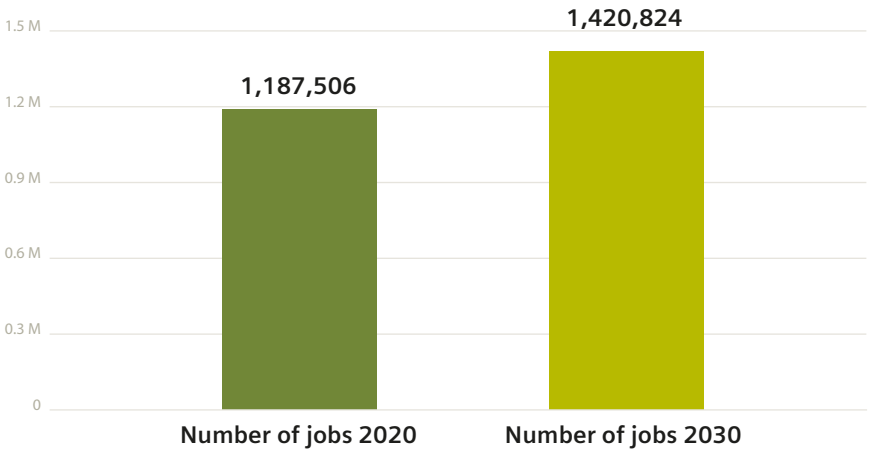


Figure 4:
Estimated direct jobs in social enterprises in Egypt, 2020-30

Financial ecosystem

Medium

Financial ecosystem
Egypt has received a large volume of private equity capital, with USD $960 million deployed between 2010 and 2016.[45] Alternative sources of capital are also available to social enterprises, including crowdfunding platforms, angel investor networks, and Zakat philanthropy.[46] However, there is a persistent USD $46.7 billion funding gap for micro-, small-, and medium-sized enterprises (MSME), in part because impact capital is in limited supply and recent political unrest has made investors nervous to commit capital.[47]

Technical support ecosystem

Strong

Technical support ecosystem
The activities of a large network of more than 55 technical support organizations are coordinated by an umbrella body, Egypreneur, which matches business needs to the offered support and conducts focus groups to share experiences and learnings. However, more than 50% of these organizations are in Cairo, which may limit their ability to support social enterprises elsewhere in the country, particularly in rural areas.[48]

Enabling environment

Medium

Enabling environment
Social enterprises in Egypt benefit from favorable SME lending policies, tax exemptions for Non-Governmental Organizations (NGO), and the presence of an MSME advocacy body, as well as 100% electrification rate. However, financial regulations that prohibit NGOs from raising commercial capital, slow internet, lack of tax exemption policies specifically for social enterprises, and lack of a social enterprise advocacy body could hinder the development and job-creation potential of social enterprises in the country.

EGYPT

Financial ecosystem

Egypt receives a large volume of private equity capital, and alternative sources of funding are available to social enterprises. However, the IMF estimated in 2017 that micro-, small-, and medium-sized enterprises in Egypt, including social enterprises, face a funding gap of USD $46.7 billion.[49] Causes of the disparity between the available and accessed capital may include political unrest, which has increased uncertainty and may have discouraged investment and limited impact investment. Figure 5 below highlights the types of capital which are most accessible to social enterprises in Egypt. The example organizations are non-exhaustive.

Medium **Strength of financial ecosystem** Predominant type of support in Egypt

	Philanthropy		Impact investing		Traditional financial services
Investor focus	Impact first			Profit first	
Investor type	Charitable donor	Venture philanthropy	Direct impact	Venture capital or PE equity	Traditional commercial banks
Capital	Grants and donations		Equity and quasi-equity		Debt

Figure 5:
Financial ecosystem assessment

Strengths

Egypt accounted for **40% of private equity capital and 24% of private equity deals in North Africa** between 2010 and 2016 (USD $960 million in capital invested in 33 deals).[50] Investors have focused on deals in education and energy (both conventional and renewable) sectors,[51] and the increased liquidity in the sectors is expected to benefit social enterprises and support their potential.

The **Egyptian government provides capital to social enterprises** through the Bedaya Fund, launched in 2015 in collaboration with private-sector players and donors. The USD $17 million fund targets SMEs, including social enterprises, providing equity investments for enterprises in agriculture, manufacturing, and ICT.[52]

Social enterprises in Egypt also have **access to alternative sources of funding** through crowdfunding platforms, angel investor networks, and Zakat, a major source of philanthropic funding.[53] As of 2015, five crowdfunding platforms in Egypt (such as Shekra) had raised USD $842,000 for SMEs and social enterprises.[54] Growing investor networks also give access to funds from high-net-worth Egyptians. Cairo Angels, for example, is a network of more than 80 angels that has invested USD $2.2 million across 20 deals.[55]

Barriers

Impact investment in Egypt is limited. In general, just 3.7% of impact investment globally is directed to the Middle East and North African region.[56] Social enterprises therefore compete for more readily available commercial private equity capital against purely profit-seeking enterprises.

Organizations **registered as NGOs cannot raise commercial finance.** As discussed further below, financial regulations in Egypt prohibit these social enterprises from raising commercial finance, leaving them reliant on philanthropic funding.

Egypt's political unrest in 2011 increased perceived investment risk by foreign investors looking to deploy capital into the country.[57] The 2011 uprising protested Egypt's leadership with mass demonstrations followed by violence and the takeover of government by the military.[58] The political instability that followed the revolution, coupled with the threat of terrorist attacks, discouraged investors from deploying capital into the country.[59] Returns on capital remain uncertain, since 33.8% of enterprises cite political instability as a major barrier to their operations.[60]

Technical support ecosystem

Egypt has a large network of technical support organizations that are coordinated by an umbrella body, Egypreneur. These organizations, which aim to help SMEs, including social enterprises, grow and create jobs through non-financial interventions, are funded by venture capitalists (e.g., Sawari Ventures), corporations (e.g., Microsoft), and philanthropies (e.g. USAID). Many support organizations in Egypt are in Cairo, the capital city, which may limit their ability to impact social enterprises in rural parts of the country or in other urban areas. Figure 6 shows the features of technical support most accessible to social enterprises in Egypt, with examples of organizations (non-exhaustive).

Strong	Strength of technical support	Predominant type of support in Egypt

	Incubators	Accelerators	Hubs	Co-working
Services	Business development services, mentorship, training and funding			Shared Office
Focus	Innovation	Scalability	Collaboration	Networking
Duration of	3–4 months	12–18 months		Unlimited

Figure 6:
Technical support ecosystem assessment

EGYPT

Strengths

Egypt has a large network of technical support organizations. At least 56 technical support organizations are active in Egypt, and Cairo has the third-largest number of hubs of all African cities.[61] These organizations offer services such as capacity-building training and business development support to businesses, including social enterprises, to equip them with the skills necessary to operate efficiently and scale to create jobs. A focus on innovation and scaling provides strong support for the establishment of diverse social enterprises across various sectors which could help to realize job-creation potential.

An **umbrella body,** Egypreneur, coordinates the technical support ecosystem. Egypreneur is the largest network of entrepreneurs, business owners, and technical support organizations in Egypt. It holds focus groups with entrepreneurs and support entities to match the needs of businesses and social enterprises with available technical support. This ensures that social enterprises receive relevant and impactful technical support.[62]

Barriers

Concentration of technical support organizations in Cairo (approximately 30 of the 56 organizations) limits their ability to impact social enterprises outside the capital city.[63] This could prevent social enterprises outside urban centers from accessing services altogether, or accessing services could require significant additional time and cost. Social enterprises in the agriculture sector could especially struggle to access non-financial services, as they are mainly based in rural areas.

Enabling environment

Egypt has improved its operating environment through policies that are favorable to SME lending. The country offers tax exemptions for Non-Governmental Organizations (NGOs), a 100% electrification rate, and an MSME advocacy body. Indeed, the ease of doing business ranking improved from 120 out of 190 in 2019 to 114 in 2020. However, slow internet, lack of tax exemptions for social enterprises, and lack of a social enterprise advocacy body could limit the development of social enterprises and their potential to create jobs.

Business policy

The Central Bank of Egypt has instituted **policies that are favorable to SME lending,**[64] issuing a directive for banks to lend 20% of their extended credit to MSMEs at interest rates below 5%. This gives MSMEs, including social enterprises, access to capital at lower rates, with the cheaper capital enabling growth to greater scale and therefore more jobs created.

Financial regulations prevent social enterprises registered as NGOs from accessing commercial finance. In Egypt, businesses, including social enterprises, registered as NGOs cannot raise funds from commercial sources, such as banks or private investors.[65] Such enterprises can only accept grants and donations. This keeps more than 45,000 organizations in Egypt registered as NGOs from accessing commercial funding, leaving them solely reliant on philanthropic funding.[66]

Business infrastructure

There is **100% electrification** in Egypt, achieved by the Rural Electrification and Renewable Energy Corporation.[67] Reliable electricity enables social enterprises to work more efficiently and be more productive.

Egypt has **slow internet,** however, ranked 173rd globally.[68] Social enterprises are therefore less able to leverage the internet to reach out to new customers or access useful business knowledge, and tech-enabled business models may not be able to reach scale.

Tax policy

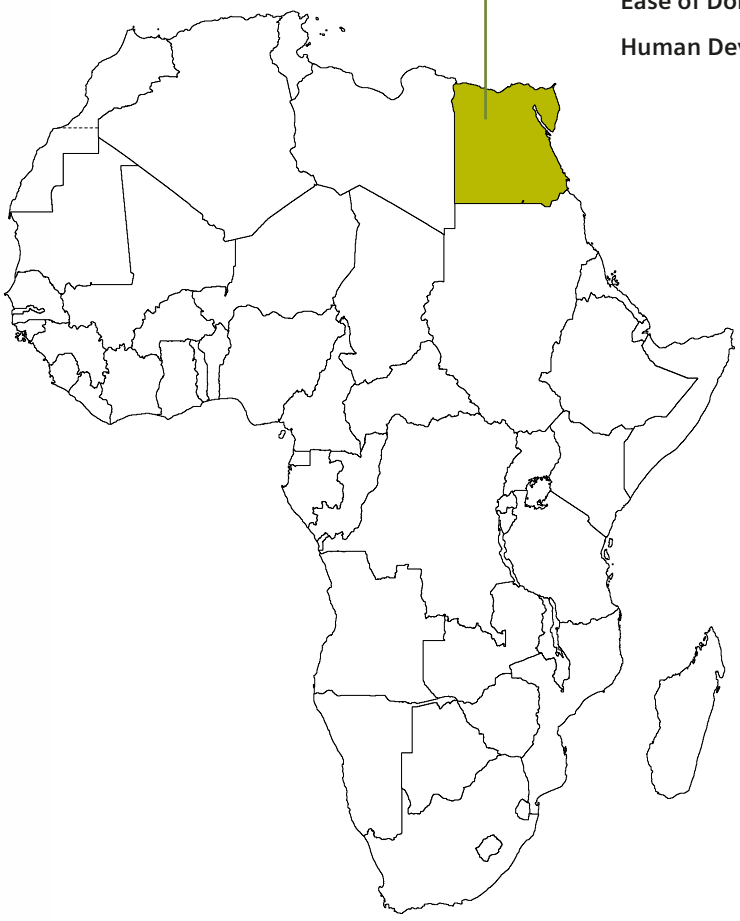
Egypt lacks tax exemption policies targeted specifically towards social enterprises. Only social enterprises registered as NGOs are eligible for an exemption from the corporate tax rate of 22.5%,[69] yet NGO-registered businesses, as discussed above, are prohibited

by law from raising commercial finance. This tax treatment reduces the earnings that "for-profit" social enterprises can reinvest to scale their operations, which could limit their job-creation potential.

Industry body

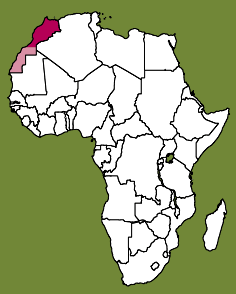
A micro-, **small-, and medium-sized enterprise (MSME) body** in Egypt, the MSME Development Agency, was established in 2017 to coordinate the activities of MSMEs in Egypt, including social enterprises.[70] The agency aims to promote enterprise growth through policy formulation and implementation and by monitoring the MSME sector's performance. Policies and programs developed by this agency could benefit social enterprises and encourage an enabling operating environment.

Egypt does not have a social enterprise body, which means there is no coordinated effort to lobby for policies to support social enterprises in light of both their social impact and profit goals. Policies such as tax exemptions for all social enterprises, not just those registered as NGOs, could promote their job-creation potential.



Egypt

Population in 2020:	102.3 million
GDP in 2019:	USD $280 billion
Number of SMEs 2020:	2,500,000
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)



MOROCCO

Northern Africa: Morocco

Overview

Morocco had a GDP of USD $121.3 billion in 2019 and a population of 36.9 million in 2020.[71,72,73] It has approximately 1,410,000 small- and medium-sized enterprises (SMEs) providing 4.58 million jobs, of which 49% are formal employment.[74,75,76]

The International Monetary Fund's initial estimates (post-COVID-19) expect Morocco's economy to grow at a rate of 4.8% in 2021, an adjustment of +1.9% from pre-COVID-19 estimates.[77] The government's fiscal stimulus packages of USD $3.3 billion and monetary measures are expected to not only mitigate the impact of COVID-19 but also propel the country's economy to higher GDP growth.[78] This study has estimated that 49,000 social enterprises are operating in Morocco as of 2020, offering direct employment of 155,000.[79] Morocco's population is expected to grow by 1.1% annually, leading to a working age population (15-64) of 26.7 million people in 2030.

This study projects there will be approximately 170,000 direct jobs in social enterprises in Morocco by 2030, an addition of 14,700 jobs from 2020. This growth will be supported by tax incentives, operational and financial support from the government, and financing from international development organizations, such as the World Bank, as discussed further below. Social enterprises in the financial inclusion sector are expected to provide the most additional income-generating opportunities driven by operational and financial support from the government and the World Bank, among other international development organizations. Figure 7 shows the estimated number of direct jobs in social enterprises in 2020 and 2030.

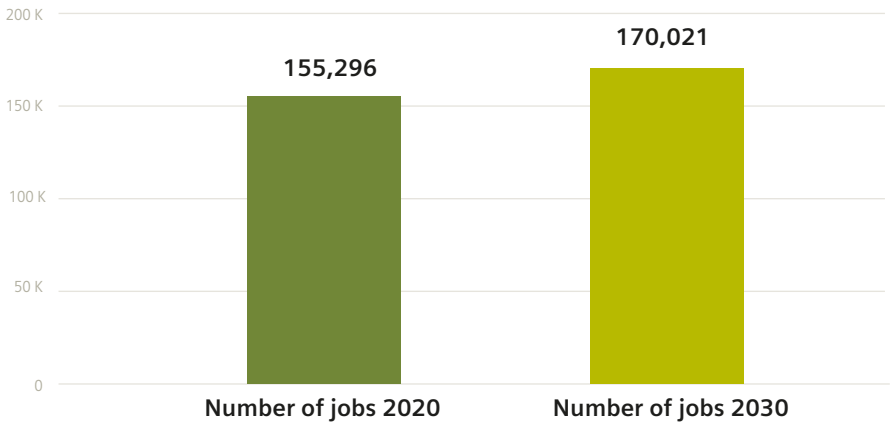


Figure 7:

Estimated direct jobs in social enterprises in Morocco 2020-2030

Financial ecosystem

Weak

Financial ecosystem
Banks and microfinance institutions have lent about USD $3 billion to SMEs, including social enterprises, which can also access the state-run Innov-Invest fund (USD $67 million), and diaspora funding (USD $7.4 billion in remittances in 2018).[80,81,82] However, investment and remittances can only cover 20% of the USD $36.7 billion micro-, small- and medium-sized enterprise (MSME) funding gap, even if all remittances were directed to investments in MSMEs.[83] Other sources of finance are either inaccessible, such as large-ticket Development Finance Institutions (DFIs) capital, or are invested in large companies in export-oriented sectors, such as chemicals and oil.[84]

Technical support ecosystem

Medium

Technical support ecosystem
Morocco has a network of more than 30 technical support organizations that provide mentorship and networking opportunities to SMEs.[85] Additionally, local and international non-profit organizations actively work to develop the ecosystem of support entities that offer linkages to investors and training for early and seed-stage start-ups. This may try and address the relatively ineffective entrepreneurial training currently available. However, support organizations may struggle to access social enterprises outside of Casablanca and major towns.

Enabling environment

Medium

Enabling environment
The country's ease of doing business ranking improved from 60 out of 190 countries in 2019 to 53 in 2020.[86] Two key agencies, The Moroccan Centre for Innovation and Social Entrepreneurship (MCISE) and the National Agency for the Promotion of Small- and Medium-sized Enterprises (Maroc PME), as well as growth-related tax incentives, have helped to create an enabling environment for social enterprises. However, government policy often favors State-Owned Enterprises (SOEs) and large foreign investors which may hold back SMEs and social enterprises.

MOROCCO

Financial ecosystem

Social enterprises in Morocco have access to loans from commercial banks and microfinance institutions (MFIs), as well as diaspora funding. Additionally, the government actively provides finance to early-stage businesses through the Innov-Invest fund. However, the IMF estimated in 2017 that micro-, small-, and medium-sized enterprises (MSMEs) in Morocco, including social enterprises, face a USD $36.7 billion funding gap.[87] DFIs deploy capital in ticket sizes which are too large for most social enterprises, which does not help to narrow the gap. Figure 8 below highlights the types of capital which are most accessible to social enterprises in Morocco. The example organizations are non-exhaustive.

Weak **Strength of financial ecosystem** Predominant type of support in Morocco

	Philanthropy		Impact investing		Traditional financial
Investor focus	Impact first			Profit first	
Investor type	Charitable donor	Venture philanthropy	Direct impact investor	Venture capital or PE	Traditional commercial banks
Capital	Grants and donations		Equity and quasi-equity		Debt

Figure 8:
Financial ecosystem assessment

Strengths

Morocco has readily-available commercial loans, with more than USD $10.6 billion deployed by commercial banks to SMEs, including social enterprises.[88] Social enterprises also have access to debt financing from microfinance institutions (MFIs) in the country.[89] A key reason why SMEs and social enterprises can access debt in Morocco is that collateral requirements are typically no more than 65% of the loan value.[90]

There are more than 4.5 million Moroccans overseas who remitted USD $7.4 billion in 2018.[91,92] 83.7% of this is invested in the real estate sector, including affordable housing, and 7.5% is invested in agriculture.[93]

The **government actively provides funds to start-ups** through a USD $67 million innovation and seed financing fund called Innov-Invest to provide early-stage companies with finance.[94] Early-stage social enterprises can access these funds to sustain and scale their operations and create jobs.

Barriers

While Development Finance Institutions (DFIs) have deployed more than USD $1.5 billion in Morocco, **DFI ticket sizes are too large for most social enterprises:** between USD $500,000 and USD $2 million.[95]

Foreign investors may find it **challenging to invest in non-export sectors because 90% of enterprises are family-led,** without formal governance structures.[96] These enterprises do not access foreign capital inflows to fund growth.

Technical support ecosystem

Morocco has an emerging network of technical support organizations, with increased involvement of local and international non-profit organizations that help SMEs, including social enterprises, grow and create jobs through non-financial interventions. They are funded by educational institutions (e.g., International University of Rabat) and Development Finance Institutions (e.g., DfID). However, they tend to be concentrated in Casablanca and major towns, which may limit the uptake of their services. Figure 9 shows the features of technical support most accessible to social enterprises in Morocco, with examples of organizations (non-exhaustive).

Medium Strength of technical support

Predominant type of support in Morocco

	Incubators	Accelerators	Hubs	Co-working spaces
Services	Business development services, mentorship, training and funding			Shared office space
Focus	Innovation	Scalability	Collaboration	Networking
Duration of	3-4 months	12-18 months		Unlimited

Figure 9:
Technical support ecosystem assessment

Strengths

Morocco has over 30 **technical support organizations** offering mentorship and networking events. The network focuses on innovation and scalability, supporting social enterprises to develop skills that help grow operations and create jobs. Similarly, a focus on collaboration fosters knowledge exchange among social enterprises and mutual support.

Local and international non-profit organizations are actively engaged in the development of the ecosystem. Non-profit organizations such as Start Up Your Life host networking events to offer linkages to investors and establish programs to provide training to early and seed-stage start-ups and social enterprises to enable them to scale and create more jobs.

Barriers

Morocco's technical support organizations are concentrated in the capital city and major towns. Twenty support organizations are in Casablanca, while Marrakesh and Rabat each have three organizations.[97,98,99] Many social enterprises specifically in agriculture are mainly in rural areas, and they and others may not be able to access support in urban centers.

The entrepreneurial training on offer may have room for improvement. Morocco was ranked 48 out of 56 economies assessed by Global Entrepreneurship Monitor in terms of the relevance and impact of training.[100] Entrepreneurial training for youth in Morocco is limited and does not impart the basic skills needed to effectively become an entrepreneur.[101] This may prevent entrepreneurs from starting social enterprises or make those that do start, more likely to have slow growth, and more likely to fail.

MOROCCO

Enabling environment

Maroc PME and MCISE help foster an enabling environment for all SMEs, including social enterprises. The country has achieved 100% electrification and implemented tax holidays to support business growth. The country's ease of doing business ranking improved to 53 in 2020 from 60 out of 200 countries in 2019.[102] However, policies favoring State-Owned Enterprises (SOEs), low coverage of enterprise-quality broadband, tax incentives favoring large foreign investors, and lack of lobbying for enabling policies by MCISE may prevent some social enterprises growth and job creation.

Business policy

The government **established the National Agency for the Promotion of Small- and Medium-sized Enterprises (Maroc PME)** to support the implementation of the SME Contractual Framework of 2015-2020.[103] This framework aims to support SMEs by developing an enabling and competitive environment for them to operate.

Existing policies favor State-Owned Enterprises (SOEs), which mainly operate in sectors, such as manufacturing and real estate, that have large infrastructure and development projects.[104] Some SOEs are not required to pay corporate taxes and have access to tax revenue from the government to sustain their operations.[105] This could discourage entrepreneurs from establishing social enterprises in these sectors, and undermine their job creation potential.

Business infrastructure

Morocco achieved **100% electrification in 2017** through its Global Rural Electrification Programme.[106] Social enterprises in both the urban and rural parts of the country have access to electricity, which can increase productivity, enable scale, and unlock jobs and income opportunities.

Morocco has the **lowest broadband penetration** in North Africa, although, at 70%, it is one of the highest in the countries looked at in this study.[107] This may hamper the growth of high tech-enabled social enterprises.

Tax policy

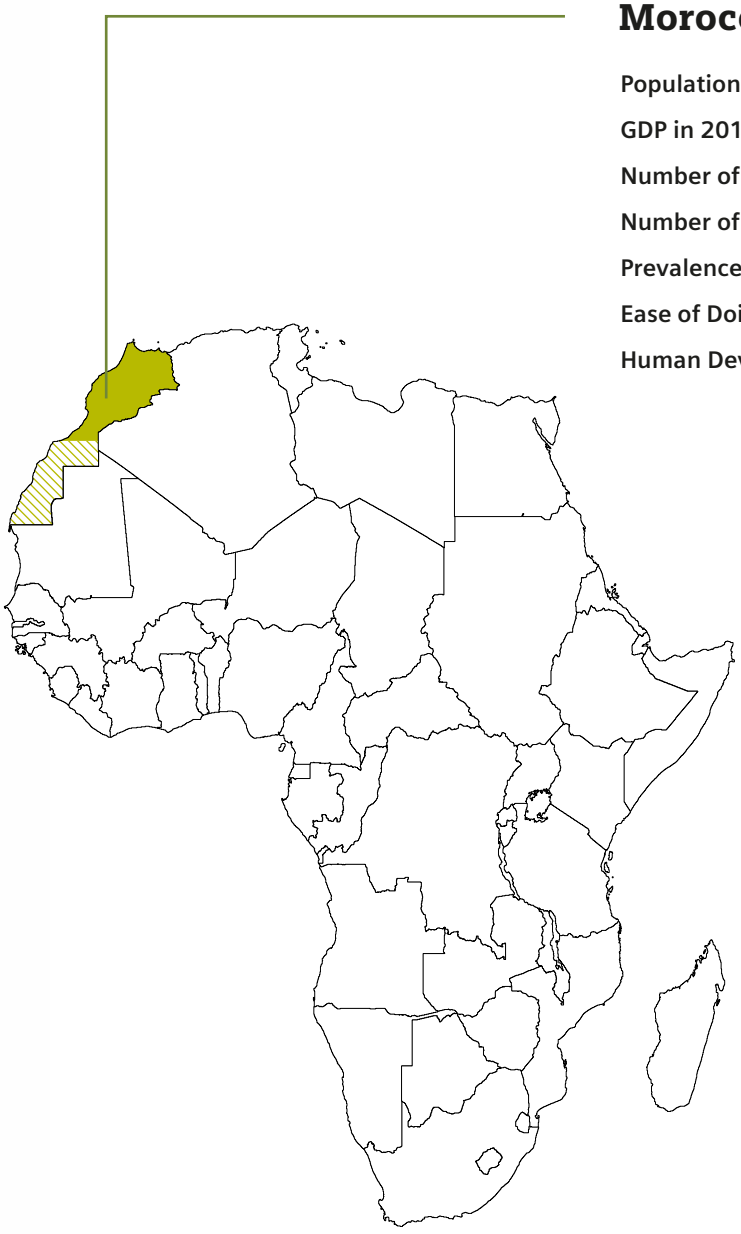
The government offers **tax holidays** to support business growth. For instance, businesses registered after the publication of the 2017 budget are exempt from tax for their first five years of operation.[108] This could promote the establishment of new social enterprises and investment into these enterprises, as a reduced tax burden allows reinvestment of earnings not only to earn more competitive returns for investors but also to create more jobs.

Investor tax incentives, however, focus on large, new foreign investors deploying at least USD $10 million.[109] These incentives exclude existing investors, who are subject to a 31% tax rate. This could discourage the establishment of local investors and the deployment of capital to local businesses and social enterprises.

Industry body

The **MCISE hosts social enterprise events, offers incubation services, and disburses debt and equity funding.**[110] It was founded in 2012 to support social enterprises addressing social challenges in the country. However, MCISE does not lobby the government to adopt enabling policies, such as tax exemptions based on their social impact.

Maroc PME offers technical support and training on cash flow management, business development, and other operational matters.[111]



Morocco

Population in 2020:	36.9 million
GDP in 2019:	USD $121.3 billion
Number of SMEs 2020:	1,410,000
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)

TUNISIA

Northern Africa: Tunisia

Overview

Tunisia had a GDP of USD $39.9 billion in 2018 and has a population of 11.8 million in 2020.[112,113] It has approximately 600,000 small- and medium-sized enterprises (SMEs) and 7.5 million jobs, of which 23% are formal employment.[114,115,116]

The International Monetary Fund's (IMF) initial estimates (post-COVID-19) expect Tunisia's economy to grow at a rate of 4.1% in 2021, an adjustment of +0.1% from pre-COVID-19 estimates, after a 4.3% contraction in 2020 (down 8.3% from a late-2019 projection of 4.0% growth).[117,118] This study estimates approximately 33,000 social enterprises are active in Tunisia as of 2020, directly employing around 48,130 people.[119] Tunisia's population is expected to grow by 0.9% annually, leading to a working age population (15-64) of 8.4 million people in 2030.[120,121,122]

This study estimates there will be approximately 50,900 direct jobs in social enterprises in Tunisia by 2030, only a very small increase from 2020. 50,949s discussed further below, government policy and increased funding for infrastructure could support an additional potential growth. Figure 10 shows the expected growth in direct jobs in social enterprises between 2020 and 2030.

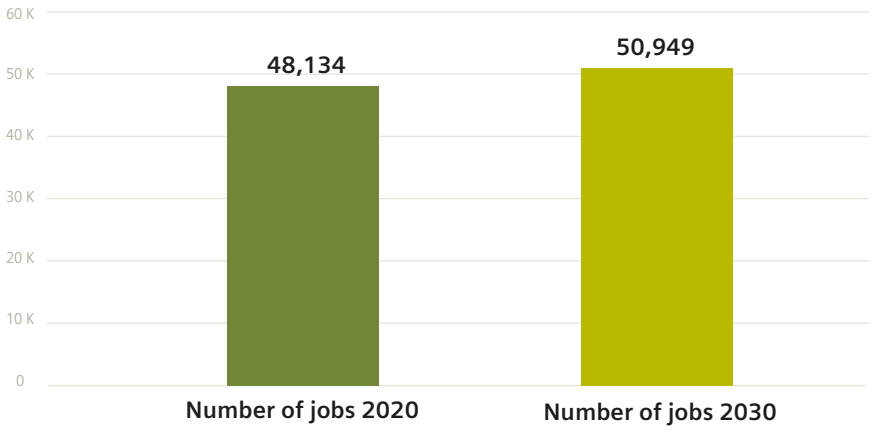


Figure 10:

Estimated direct jobs in social enterprises in Tunisia, 2020-2030

Financial ecosystem

Medium

Financial ecosystem
Though commercial debt financing is available and there are growing numbers of impact investors, social enterprises in Tunisia may struggle to access capital. Nearly 72% of all businesses were formed after the 2011 revolution; and the concept of social enterprise is relatively unfamiliar. This means that targeted financial products are nascent and rare.[123] Commercial lenders looking for returns on debt may be wary of lending to social enterprises pursuing impact at scale before achieving profitability.

Technical support ecosystem

Medium

Technical support ecosystem
Nearly 60 technical support organizations in Tunisia offer high-quality and relevant services to businesses and social enterprises. Their support is skewed, however, towards short-term, grant-funded interventions, potentially limiting the long-term support required to scale and provide jobs.[124] There are, however, government incentives for technical support organizations to target social enterprises in rural areas with the capacity-building they need to grow and provide jobs, which may help mitigate short term grant funding.

Enabling environment

Strong

Enabling environment
Government policies aim to support SMEs, including social enterprises, and Tunisia has strong energy and human resources infrastructure, though slow internet speeds limit productivity. Tunisia's national social enterprise industry body helps social enterprises access technical support and links them with funders. However, the industry body does not actively lobby the government for social enterprise-specific policies, such as tax exemptions, which could further enable growth, nor has the industry body been successful in lobbying the private sector, such as financial institutions, for products targeted and tailored to the needs of social enterprises.[125]

TUNISIA

Financial ecosystem

Tunisia's financial ecosystem has a large network of financial institutions offering affordable credit. Despite this, the IMF estimated in 2017 that micro-, small-, and medium-sized enterprises in Tunisia, including social enterprises, faced a USD $6.9 billion funding gap.[126] Much of the available capital may be inaccessible to social enterprises because investors do not prioritize impact alongside financial returns in their investment decisions.[127] Figure 11 below highlights the types of capital which are most accessible to social enterprises in Tunisia. The example organizations are non-exhaustive.

Medium **Strength of financial ecosystem** Predominant type of support in Tunisia

	Philanthropy		Impact investing		Traditional financial services
Investor focus	Impact first			Profit first	
Investor type	Charitable donor	Venture philanthropy	Direct impact investor	Venture capital or PE	Traditional commercial banks
Capital	Grants and donations		Equity and quasi-equity		Debt

Figure 11:
Financial ecosystem assessment

Strengths

Tunisia has a **large network of financial institutions,** including 42 registered banks and micro-finance institutions, that offer affordable debt financing (around 7% interest rates) to small- and medium-sized enterprises (SMEs), including social enterprises.[128,129] Additionally, micro-finance institutions in Tunisia have experienced steady growth in loans disbursed (24% increase in lending between 2017 and 2018), signaling an increased appetite for SME lending.[130] This could provide SMEs, including social enterprises, with the capital they need to grow and create jobs.

Tunisia is a **growing market for impact investors,** with USD $22.1 million invested in 47 deals in 2018. This represents 215% growth since 2017.[131] Increased impact investment offers increased funding options for high-growth-potential SMEs, including social enterprises, to scale and create jobs.

Barriers

Despite the large network of financial institutions, **social enterprises struggle to access financing.** Social enterprise is a fairly new concept in Tunisia, and financial institutions do not distinguish them from other SMEs.[132] Due to this lack of understanding, financial products offered are not targeted towards social enterprises, and the focus is placed on profits as opposed to impact. This limits access to financing that would allow social enterprises to grow and create jobs.

Technical support ecosystem

Tunisia has a vibrant network of technical support organizations to help SMEs, including social enterprises, grow and create jobs through non-financial interventions. These organizations are funded by non-governmental organizations (e.g. Hivos), impact investors (e.g. Yunus Social Business), and the government. Many of these technical organizations run as incubators, accelerators, and hubs. In Tunisia, many support organizations, funded primarily by grants, focus on the grant-supported shorter-term interventions, which may limit social enterprises' longer-term growth. Figure 12 shows the features of technical support most accessible to social enterprises in Tunisia, with examples of organizations (non-exhaustive).

Medium Strength of technical support | Predominant type of support in Tunisia

	Incubators	Accelerators	Hubs	Co-working spaces
Services	Business development services, mentorship, training and funding			Shared office space
Focus	Innovation	Scalability	Collaboration	Networking
Support duration	3-4 months	12-18 months		Unlimited

Figure 12:
Technical support ecosystem assessment

Strengths

Tunisia's **vibrant network of support organizations** includes accelerators, incubators, and co-working spaces.[133] They offer mentorship, training, and workshops for social enterprises, as well as opportunities to network with funders. Some (such as Flat 6 Labs Tunis) also provide investment-readiness support and funding to early-stage SMEs, including social enterprises.[134] This support will help social enterprises create jobs as they move from early to growth stage.

With support from the World Bank, the government established the USD $75 million Tunisia Innovative Start-ups and SMEs project, which provides grants to ecosystem actors, particularly incubators and accelerators, that **specifically support women-led and rural-focused enterprises**.[135] This is expected to increase access to ecosystem support services for social enterprises in rural areas, especially in the agriculture sector, which could support growth and job creation. This will help realize the potential for direct jobs in social enterprises and an increase in additional income opportunities to be in agricultural social enterprises by 2030.

TUNISIA

Barriers

Technical support providers mostly rely on grants to support their operations. The limited available grant funding skews technical support towards short-term interventions.[136] Most organizations provide training and workshops over less than four months, yet social enterprises may require longer-term support, such as business incubation, to facilitate their growth and job creation.

Enabling environment

Tunisia has a pro-business policy environment, which supports enterprise creation and growth. The Tunisian Center for Social Entrepreneurship promotes social entrepreneurship and provides social enterprises with opportunities to meet funders. The government has a number of policies that aim to help SMEs, including social enterprises, access funding and technical support. Tunisia also has a well-developed business infrastructure, with high rates of electrification and literacy. Tunisia rose two places on the Ease of Doing Business index to 78 out of 190 in 2019 after reducing business registration fees and introducing a risk-based tax audit system.[137]

Business policy

Government policy **aims to support the growth of locally owned SMEs, including social enterprises.** A key piece of legislation was the 2018 Start-up Act, which simplified administrative procedures, improving access to finance and markets. It also granted all employees in the public and private sector a one-year leave to concentrate on creating a new business.[138] These policies provide incentives for Tunisians to establish SMEs, including social enterprises, that could drive job growth.

Business infrastructure

100% electrification, 82% literacy, and high grid reliability facilitates business productivity[139,140,141] These factors drive job growth through increased productivity and efficiency.

However, **less than 20% of the population has access to 3G or 4G** internet.[142] This decreases access to more sophisticated forms of mobile and online banking, which may limit the potential for job creation in sectors like financial inclusion.

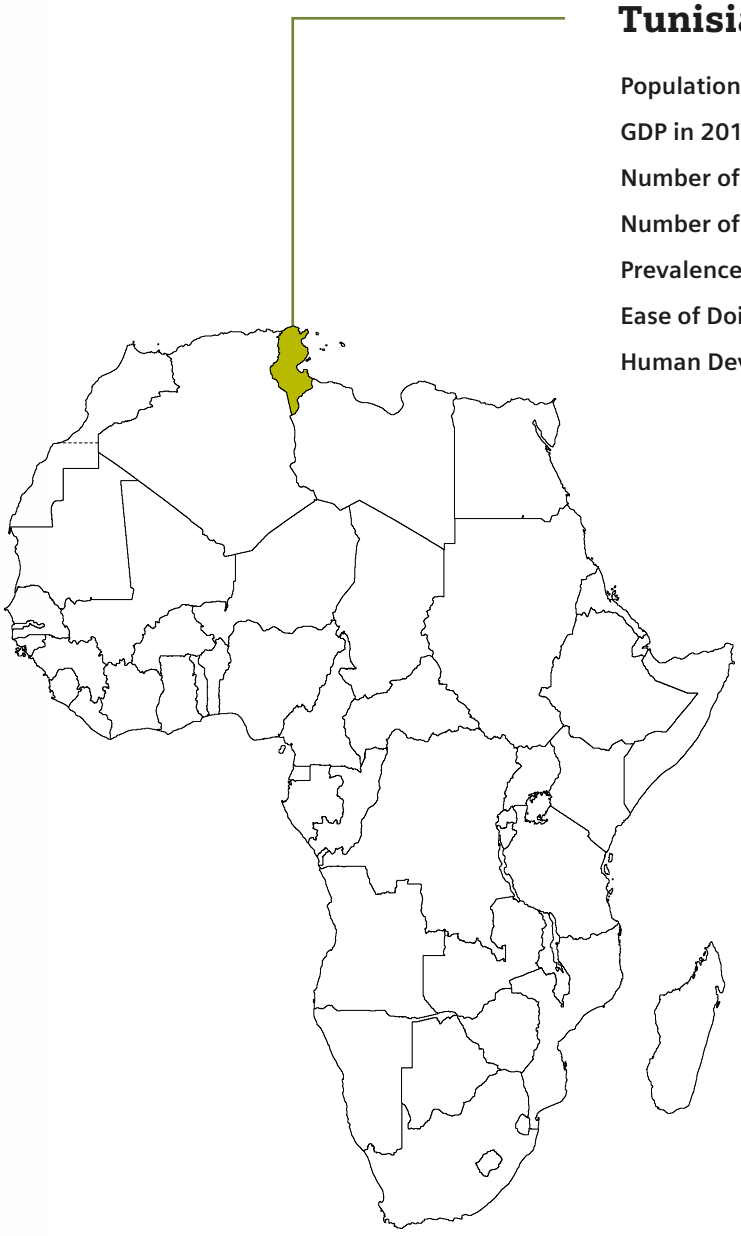
Tax policy

The Tax Incentives Law 2017/18 provides tax exemptions on income and profits of early-stage SMEs, including social enterprises, for their first four years of operation (on a sliding scale from 100% exemption in their first year to 25% in their fourth year). Additionally, social enterprises in the agriculture sector benefit from 100% tax exemptions of profits or revenues invested in subscription to initial capital or capital increases.[143] **These taxation policies allow social enterprises to re-invest their profits into growth,** helping them scale and create jobs.

Industry body

Founded in 2011, the **Tunisian Center for Social Entrepreneurship aims to create awareness of social enterprises** among the community, government, and private-sector stakeholders through community outreach and advocacy. The Center works closely with incubators to tailor technical assistance for social enterprises, link them with funders through networking activities, and assist them to market and commercialize their products and services.[144] This financing and technical support provides social enterprises with the skills and resources they need to scale and create jobs.

However, the Center **does not engage in lobbying activities** which could create further specific tax exemptions to reflect the profitability and social impact motives of social enterprises. Furthermore, the industry body has not engaged financial institutions to consider providing targeted financial products designed for social enterprises.



Tunisia

Population in 2020:	11.8 million
GDP in 2019:	USD $39.9 billion
Number of SMEs 2020:	601,416
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)

CÔTE D'IVOIRE

Western Africa: Côte d'Ivoire

Overview

Côte d'Ivoire has a GDP of USD $45 billion and population of 26.4 million in 2020.[145,146] It has approximately 203,000 small- and medium-sized enterprises (SMEs) that provide 735,000 jobs.

The International Monetary Fund's initial estimates (post-COVID-19), expect Côte d'Ivoire's economy to grow at a rate of 8.7% in 2021, an adjustment of +1.3% from pre-COVID-19 estimates.[147] The government's fiscal stimulus packages of USD $2.1 billion should not only mitigate the impact of COVID-19 but also propel the country's economy to higher GDP growth.[148] This study estimated that 9,100 social enterprises are operating in Côte d'Ivoire as of 2020, offering direct employment to 33,000 people.[149] Côte d'Ivoire's population is expected to grow by 2.8% annually,[150] leading to a working age population (15-64) of 19.3 million people in 2030.[151,152]

This study projects there will be approximately 42,400 direct jobs in social enterprises in Côte d'Ivoire by 2030, adding 9,400 jobs from 2020. As discussed further below, local and international programs, government support, and the increased adoption of mobile money services would enable to drive this growth. Figure 13 shows the total number of direct jobs in social enterprises in 2020 and 2030 (projected).

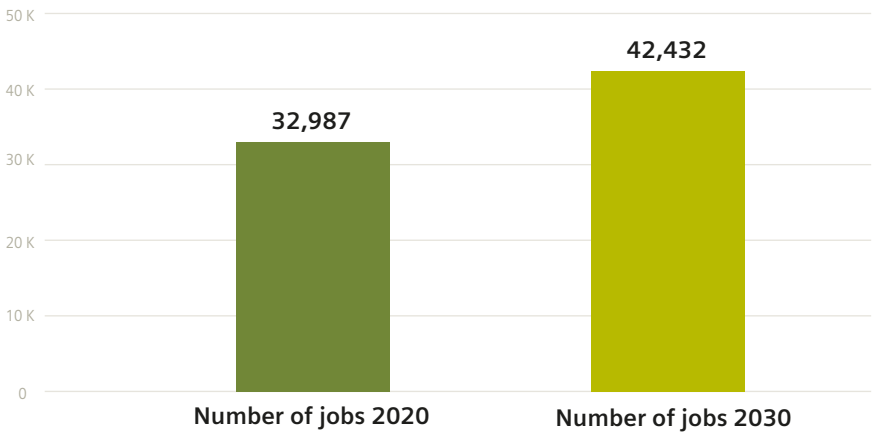


Figure 13:
Estimated direct jobs in social enterprises in Côte d'Ivoire 2020-2030

Financial ecosystem

Medium

Financial ecosystem
While Côte d'Ivoire is the third-largest recipient of impact capital in West Africa, with USD $891 million deployed between 2005 and 2015, most of it was deployed by DFIs in sectors such as energy and infrastructure that contain fewer social enterprises. Social enterprises have access to alternative sources of capital, namely diaspora funding, often aggregated through crowdfunding platforms. However, the limited supply of non-DFI impact capital and the informal structure of many social enterprises makes access to capital challenging.

Technical support ecosystem

Medium

Technical support ecosystem
An emerging network of technical support organizations is increasingly partnering with financiers to offer capacity-building training, advisory services, and networking opportunities. While Côte d'Ivoire has more than 22 support entities, they are concentrated in Abidjan, and limited awareness of these organizations and the benefit of their services has hindered uptake by social enterprises.

Enabling environment

Medium

Enabling environment
The country's Ease of Doing Business ranking improved in 2019 by 17 positions to 122 out of 190,[153] and tax incentives in agriculture and healthcare support these common sectors for social enterprise. However, higher payroll taxes on foreign investors, delayed implementation of several business-enabling policies (such as the Phoenix Program), high levels of corruption, and lack of a body to actively lobby for social enterprise-needs a short dash, not a long oneenabling policies limit the development of social enterprises and obstruct their job-creation potential.

CÔTE D'IVOIRE

Financial ecosystem

Côte d'Ivoire is the third-largest recipient of impact capital in West Africa and has access to a large pool of diaspora funding. However, the IMF estimated in 2017 that micro-, small-, and medium-sized enterprises in Côte d'Ivoire, including social enterprises, face a USD $12.4 billion funding gap. Causes of the disparity between available and accessed capital include the informality of businesses in the country and limited availability of non-DFI capital. Figure 14 below highlights the types of capital which are most accessible to social enterprises in Côte d'Ivoire.

Medium Strength of financial ecosystem

Predominant type of support in Côte d'Ivoire

	Philanthropy		Impact investing		Traditional financial services
Investor focus	Impact first			Profit first	
Investor type	Charitable donor	Venture philanthropy	Direct impact investor	Venture capital or PE	Traditional commercial banks
Capital	Grants and donations		Equity and quasi-equity		Debt

Figure 14:
Financial ecosystem assessment

Strengths

Côte d'Ivoire's prevailing political stability and rapid economic growth have led to increased investor interest, demonstrated by the **high volume of impact capital** flowing into the country. It is the third-largest recipient of impact capital in West Africa, with USD $891 million deployed between 2005 and 2015.[154] While the majority was deployed by development finance institutions (DFIs), approximately USD $11 million non-DFI impact capital was invested in businesses in agriculture or financial inclusion.[155]

Crowdfunding platforms in Côte d'Ivoire offer alternative sources of capital for social enterprises. These platforms, such as Seekewa, enable Ivorian diaspora to invest in local businesses, including social enterprises. Côte d'Ivoire has a diaspora population of approximately 1.1 million, who remitted USD $379 million in 2017.[156,157] Diaspora Ivorians seeking investment opportunities in Côte d'Ivoire can use crowdfunding platforms to channel investment to suitable businesses, offering social enterprises an alternative source of finance to scale their operations and achieve their job-creation potential.

Barriers

Although Côte d'Ivoire is the third-largest recipient of impact capital in West Africa, nearly all of it comes from DFIs; **non-DFI impact capital is limited** to about USD $11 million, as noted above.[158] The average deal size of capital deployed by DFIs between 2005 and 2015 was USD $17.9 million, an amount often too large for social enterprises in the country, which have an approximate maximum annual turnover of USD $1.7 million.[159,160] Moreover, DFIs active in Côte d'Ivoire primarily focus on businesses in the energy and infrastructure sectors, which only account for 7.5% of social enterprises.

While Côte d'Ivoire has the largest financial sector in the West African Economic Monetary Union (WAEMU) in terms of the number of financial institutions, the **informal structure of many smaller businesses,** including many social enterprises, limits the ability of commercial banks and microfinance institutions to provide them with capital.[161] There are approximately 26 commercial banks, 15 microfinance institutions, and 47 Savings and Credit Cooperatives (SACCOs) which could provide funding to social enterprises in Côte d'Ivoire.[162] However, 70% of businesses in the country are informal and, therefore, lack the documentation and financial structures needed to access this funding.[163]

Technical support ecosystem

Côte d'Ivoire has an emerging network of technical support organizations that are increasingly partnering with financiers to help SMEs, including social enterprises, grow and create jobs through non-financial interventions. They are funded by investment funds (e.g. Injaro), philanthropists (e.g. Edmond de Rothschild Foundation), and corporates (e.g. Orange). Their concentration in Abidjan and limited awareness of the benefit of their services could limit their impact on social enterprises. Figure 15 shows the features of technical support most accessible to social enterprises in Côte d'Ivoire.

Medium Strength of technical support

Predominant type of support in Côte d'Ivoire

	Incubators	Accelerators	Hubs	Co-working spaces
Services	Business development services, mentorship, training and funding			Shared office space
Focus	Innovation	Scalability	Collaboration	Networking
Support duration	3-4 months	12-18 months		Unlimited

Figure 15:
Technical support ecosystem assessment

Strengths

Côte d'Ivoire has an **emerging technical support ecosystem;** the number of support organizations has grown fivefold from four in 2015 to more than 22 in 2017.[164] Some organizations are locally sponsored, while others are founded or funded by international organizations. The organizations offer a wide range of services from capacity-building training and advisory services to networking opportunities. By partnering with these organizations, social enterprises can build skills and develop a network of key partners that could enable them to create jobs.

A **growing number of partnerships between support entities and financiers** provide technical support.[165] For example, Injaro Investment Fund, ESPartners, and the Edmond de Rothschild Foundation collaborated to set up the Archimédiens & Entrepreneurs incubator. Such partnerships lead to the development of support programs that provide services, such as investment-readiness support, with a view to what financiers expect. These tailored services could help social enterprises more easily access finance to scale their operations and create jobs.

CÔTE D'IVOIRE

Barriers

Awareness and uptake of technical support services is limited. SMEs in Côte d'Ivoire, including social enterprises, are often unaware of the benefits of technical support services or may not know which organizations provide these services. Only about 25% of enterprises in Côte d'Ivoire are aware of available services; 19% are interested in these services but are unaware of the benefits.[166] Lack of awareness of support organizations and the benefits of their services could hinder social enterprises' ability to access finance, scale, and create jobs in Côte d'Ivoire.

Technical support organizations are **concentrated in the economic capital.** Approximately 15 of the 22 support organizations in Côte d'Ivoire (nearly three-quarters) are in Abidjan.[167] This could limit access for social enterprises operating in rural areas or in other cities outside Abidjan, such as the 37% of social enterprises in agriculture.

Enabling environment

Côte d'Ivoire has improved its operating environment, establishing agencies such as the Investment Promotion Centre in Côte d'Ivoire (CEPICI) and offering income tax exemptions to businesses and investors in agriculture and healthcare. The active engagement of the **General Confederation of Enterprises of Côte d'Ivoire (CGECI)** with the government facilitates private sector development. The country's Ease of Doing Business ranking improved to 122 in 2020 from 139 out of 200 countries in 2019.[168] However, lack of implementation of some policies, high levels of corruption, disparate payroll tax policies, and lack of a social enterprise body threaten to hinder social enterprises from growth and job creation.

Business policy

The government has **established agencies to enforce enabling policies** for social enterprises and other businesses. The Investment Code, introduced in 2012, contains incentives for investors to promote the deployment of capital to businesses.[169] The Investment Promotion Centre in Côte d'Ivoire was also established in 2012 to facilitate the registration of businesses and the implementation of these policies. The agency shortened the business registration period to 24 hours, encouraging the formation of new businesses, including social enterprises.

Delayed implementation of these business policies limits their potential impact, however. The SME Development Policy (Phoenix Program) was adopted in 2015 but implementation was delayed.[170] The program was to include the launch of a guarantee fund to offer financial support to SMEs, including social enterprises. As a result of this delay, social enterprises have not been able to access an additional source of capital that could enable them to scale operations and create more jobs. Implementation has been delayed primarily due to a lack of coordination with the private sector.

Business infrastructure

The National Rural Electrification Program **improved the electrification rate to 65.6% in 2017** and aims to increase this to 80% by the end of 2020.[171] Access to good-quality internet connections in urban centers and strong mobile internet penetration in rural areas offers social enterprises access to tech-based solutions to operate more efficiently (e.g., accounting software).

The **high level of corruption in Côte d'Ivoire** limits social enterprises' operations. Côte d'Ivoire was ranked 106 out of 180 countries in Transparency International's 2019 Corruption Perceptions Index.[172] Enterprises often must offer bribes, increasing their costs and decreasing efficiency. The reduction in retained earnings naturally limits scale and further job creation.

Tax policy

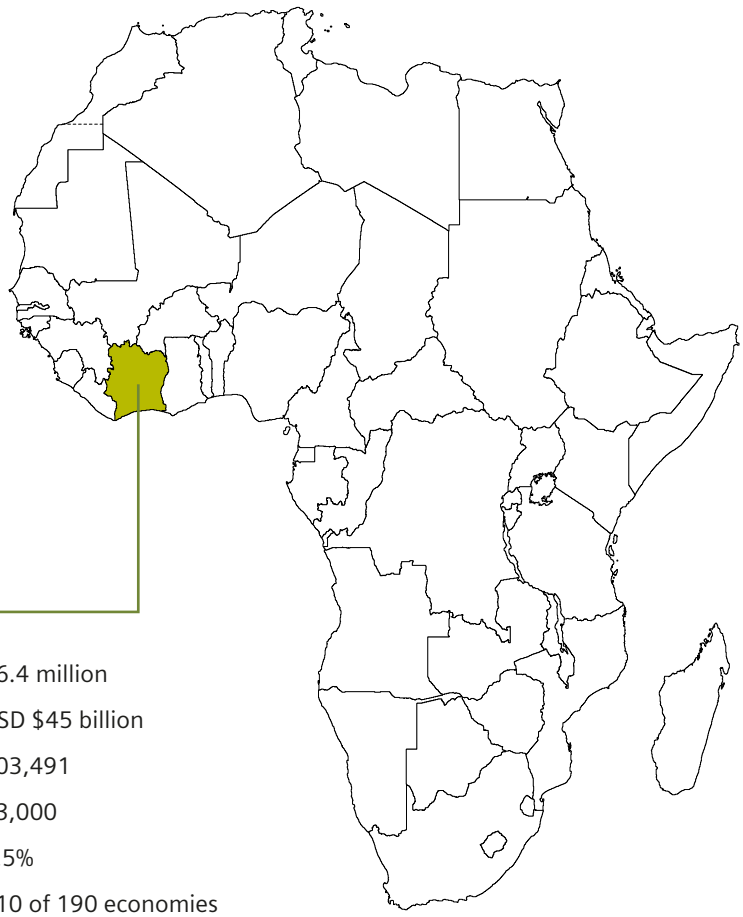
The government provides **income tax exemptions between 50% and 75%** to businesses and investors in agriculture and healthcare.[173] This could give the 41% of social enterprises operating in these sectors more retained earnings to scale their operations. Tax exemptions for investors in these sectors encourages the deployment of capital, giving social enterprises further access to funding to reach scale.

On the other hand, Côte d'Ivoire imposes **higher payroll taxes on foreign investment companies** than on Ivorian-owned enterprises. Foreign investment firms are subject to 12% payroll tax, as opposed to the 2.8% charged to local firms.[174] This discourages investors from setting up a local presence; the higher payroll taxes raise monitoring costs.

Industry body

The **General Confederation of Enterprises of Côte d'Ivoire (CGECI) is a national private-sector body** in Côte d'Ivoire. Established in 2005, it coordinates the activities of its member companies and liaises with government to facilitate private-sector development. It promotes a conducive operating environment for businesses, including social enterprises.

Côte d'Ivoire lacks a dedicated social enterprise body. While CGECI facilitates the development of the private sector overall, social enterprises require a body that will lobby for enabling policies (such as tax relief) that take into consideration their social-impact and profit-seeking dual mandate.



Côte d'Ivoire

Population in 2020:	26.4 million
GDP in 2019:	USD $45 billion
Number of SMEs 2020:	203,491
Number of SEs 2020	33,000
Prevalence rate SE/SME (%):	4.5%
Ease of Doing Business Ranking:	110 of 190 economies
Human Development Index:	0.516 (low)

GHANA

Western Africa: Ghana

Overview

Ghana had a GDP of USD $65.6 billion in 2018 and has a population of 31.1 million in 2020.[175,176] It has approximately 1.78 million small- and medium-sized enterprises (SMEs) and 7.5 million jobs.

The International Monetary Fund's (IMF) initial estimates (post-COVID-19) expect Ghana's economy to grow at a rate of 5.9% in 2021, an adjustment of -0.4% from pre-COVID-19 estimates, after growth is expected to slow to 1.5% in 2020 (from a previous projection of 5.8% growth in December 2019).[177,178] This study estimates that approximately 97,500 social enterprises are active in Ghana, directly employing around 413,300 people.[179] The population is expected to grow by 2.2% annually,[180] leading to a working age population (15-64) of 23.3 million people in 2030.

This study estimates there will be approximately 508,800 direct jobs in social enterprises in Ghana by 2030, adding more than 95,500 from 2020. As discussed further below, government support and increased mobile money penetration are expected to drive this growth in jobs. In addition, social enterprises in the agricultural sector are projected to provide the most income-generated opportunities, driven by the government's delivery of technical and operational support to smallholder farmers. Figure 16 shows the expected growth in direct jobs in social enterprises between 2020 and 2030.

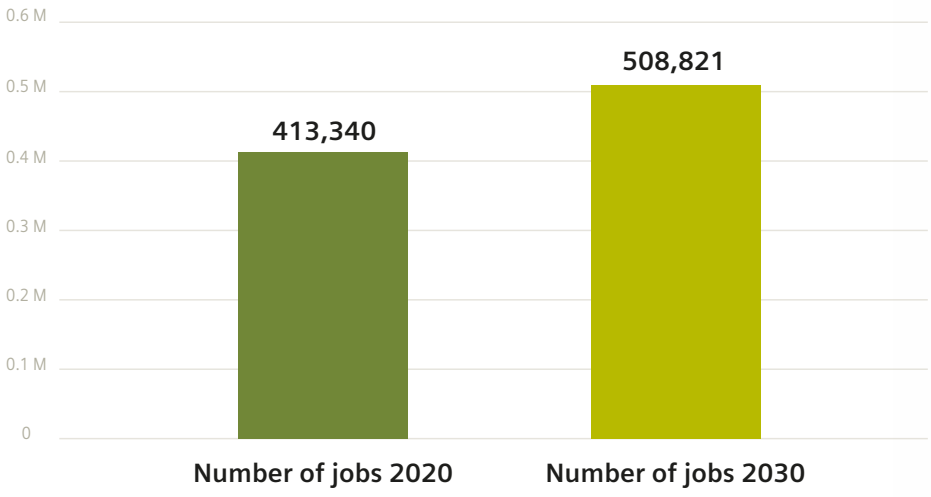


Figure 16:
Estimated direct jobs in social enterprises in Ghana 2020-2030

Financial ecosystem

Medium

Financial ecosystem
Though impact investment and debt financing are both available, social enterprises may struggle to access capital, except for relatively prevalent grant funding. Impact investment is targeted towards larger ticket sizes of USD $500,000 or more, locking out early-stage, high-growth social enterprises with financing needs starting from USD $20,000.[181] Commercial debt terms, meanwhile, include high collateral requirements (100% of loan value) and interest rates (about 30%), stifling any lending to SMEs, as well as to social enterprises.[182]

Technical support ecosystem

Medium

Technical support ecosystem
Ghana's vibrant network of technical support organizations offers high-quality and relevant services to businesses and social enterprises. There are more than 153 such organizations, but many services are skewed towards early-stage businesses, potentially limiting their benefit and accessibility for more mature social enterprises.[183]

Enabling environment

Strong

Enabling environment
Government policies aim to support SMEs, and Ghana has a well-developed power and communications infrastructure, though poor rural roads. Ghana also has a national social enterprise industry body that helps social enterprises to raise growth capital (through the Social Enterprise Ghana Fund) and provides technical support, including investment-readiness support. However, this industry body does not actively lobby the government for social enterprise-specific policies, such as tax exemptions, which could further enable growth.[184] While many tax policies favor social enterprises, some policies discourage foreign investment, and onerous tax administration requirements divert resources from enterprise growth that could lead to the creation of more direct jobs.

GHANA

Financial ecosystem

Ghana's financial ecosystem is not especially well developed, with impact capital and debt financing inaccessible to most social enterprises. The IMF estimated in 2017 that micro-, small-, and medium-sized enterprises in Ghana, including social enterprises, face a funding gap of more than USD $5 billion. Causes of the inaccessibility of capital include strict debt financing terms and impact investors' preference for mature-stage businesses.[185] Figure 17 below highlights the types of capital which are most accessible to social enterprises in Ghana. The example organizations are non-exhaustive.

Medium **Strength of financial ecosystem** Predominant type of support in Ghana

	Philanthropy		Impact investing		Traditional financial services
Investor focus	Impact first			Profit first	
Investor type	Charitable donor	Venture philanthropy	Direct impact investor	Venture capital or PE	Traditional commercial banks
Capital	Grants and donations		Equity and quasi-equity		Debt

Figure 17:
Financial ecosystem assessment

Strengths

The government provides financing to venture capital funds that support SMEs, including social enterprises, through the Venture Capital Trust Fund (VCTF). Through funds it has financed, the VCTF has invested more than USD $40 million in 48 SMEs, some of which are social enterprises, in sectors including agriculture, manufacturing, and ICT. The VCTF estimates that more than 2,000 direct jobs have been created through these investments.[186] In addition, tax relief on private equity management fees incentivizes investors to provide financing.[187] These initiatives should lead to increased financing options for social enterprises to grow and create jobs.

Social enterprises in Ghana have access to donor funding, with **more than 44% of organizations having received grants.**[188] This provides access to financing for early-stage, high-growth social enterprises that are unable to access other sources of funding due to large required ticket sizes and stringent debt terms.

Barriers

The high unit cost of managing funds at low ticket sizes discourages investment in early-stage social enterprises, whose financing needs typically start at USD $20,000. **Most of these social enterprises struggle to access impact capital,** as impact investment is targeted at larger ticket sizes (USD $500,000 and above).[189] The inability of these social enterprises to access capital limits their ability to improve operations and provide additional jobs.

Financial institutions in Ghana are risk-averse and usually unwilling to invest in start-up or early-stage social enterprises. Financial institutions willing to lend, offer stringent terms, including high collateral requirements (100% of loan value) and interest rates (30%). This makes **commercial debt too expensive for most social enterprises** to use to fund growth and job creation.[190]

Technical support ecosystem

Ghana has a vibrant network of technical support organizations to help SMEs, including social enterprises, grow and create jobs through non-financial interventions. These organizations are funded by development aid organizations, revenue-generating activities, and the government. In Ghana, many support organizations focus on early-stage social enterprises, which may limit their impact on more mature enterprises. Figure 18 shows the features of technical support most accessible to social enterprises in Ghana, with examples of organizations (non-exhaustive).

Medium **Strength of technical support** Predominant type of support in Ghana

	Incubators	Accelerators	Hubs	Co-working spaces
Services	Business development services, mentorship, training and funding			Shared office space
Focus	Innovation	Scalability	Collaboration	Networking
Support duration	3-4 months	12-18 months		Unlimited

Figure 18:
Technical support ecosystem assessment

Strengths

Ghana's **vibrant network of support organizations** includes more than 150 non-financial support providers.[191] Some are locally sponsored, while others are founded and funded by international organizations. All offer a range of assistance, including networking (76%), leadership development (67%), and business strategy and planning (64%). Most (>75%) provide technical support to early-stage social enterprises, allowing them to gain the skills they require to scale and increase the direct jobs they create.[192]

Technical support organizations in Ghana **target sectors that have the highest potential for job creation;** 70% of organizations target agriculture and manufacturing, which could provide most direct jobs in social enterprises by 2030. Additionally, another 31% of organizations are sector-agnostic, allowing social enterprises in all sectors to benefit from their support that could help them grow.[193]

GHANA

Barriers

Most support organizations in Ghana **target early-stage social enterprises; very few address the needs of more mature social enterprises.** Of the 153 support organizations present, only 15% provide support to mature enterprises, greatly limiting the ability of these businesses to grow and provide additional jobs.[194]

Moreover, **most support organizations are located predominantly in the major urban areas** of Accra and Kumasi.[195] However, small and medium-sized enterprises (SMEs), including social enterprises, provide more than 80% of direct jobs in seven of the 10 administrative regions and more than 76% of jobs in the western region. Thus, lack of non-financial support impedes SMEs in rural areas from creating more direct jobs.[196]

Enabling environment

Ghana has a pro-business policy environment, which also serves to enable the creation and growth of social enterprises. The industry body, Social Enterprise Ghana, provides grants, debt, and equity financing to social enterprises that are unable to obtain financing from other sources. The government has also adopted policies that facilitate access by SMEs, including social enterprises, to funding and technical support. Ghana also has a well-developed business infrastructure, with high rates of electrification and mobile penetration. However, the country's Ease of Doing Business ranking fell from 114 in 2019 to 118 out of 190 in 2020 after the introduction of tax laws that raised costs for businesses, including social enterprises.[197]

Business policy

Government policy **aims to support the growth of locally owned SMEs, including social enterprises,** by facilitating access to funding and technical support. In 2018, the Ministry of Business Development introduced the National Entrepreneurship and Innovation Plan (NEIP), which provides up to USD $10 million in business development services, start-up incubation, and funding for early-stage businesses, as well as tax incentives, and preferential government procurement. Through this initiative, the government plans to create 500,000 direct jobs and income opportunities, some of which could be created by social enterprises.[198]

The government has enacted policies that could limit foreign investment in Ghana and discourage foreign investors from establishing social enterprises that could otherwise create additional jobs for Ghana's citizens. These policies include a minimum capital requirement of USD 1 million for foreign equity investors.[199]

Business infrastructure

An **electrification rate of 83% and internet connectivity rate of 67% raise business productivity.**[200,201] Access to high-quality, robust internet connectivity and high mobile phone penetration (55%), the highest in West Africa (average of 44.8%), provides incentives for tech-enabled solutions, such as digital lending.[202] These factors should drive job growth, particularly in the financial inclusion and ICT sectors.

Conversely, Ghana has a **poor road network** in rural areas, with 98% of feeder roads not tarmacked. This constrains the economic activities of social enterprises operating in these areas by, for example, increasing time spent transporting goods to markets.[203] By raising the cost of reaching the market, the poor road network could discourage the establishment of social enterprises in key sectors that are dominant in rural areas, such as agriculture, limiting job growth.

Tax policy

In 2019, the government abolished the application of VAT to management fees for private equity, venture capital, and mutual funds.[204] The expected reduction in cost should encourage funds to enter the Ghanaian market. **These taxation policies facilitate increased access to funding by SMEs, including social enterprises,** allowing them to scale and create jobs.

Tax filing procedures in Ghana are very time-consuming (on average tax filing takes each business about 226 hours to complete annually), diverting resources that could otherwise be used for production or growth.[205]

Industry body

With around 200 members, **Social Enterprise Ghana aims to provide funding and technical support to social enterprises,** including investment readiness support. Through its Social Enterprise Fund, supported by donors and investors, the organization provides grants, debt, and equity financing to social enterprises that require between USD $20,000 and USD $250,000.[206] This financing and technical support provides social enterprises with the skills and resources they need to scale and create jobs.

However, this industry body **does not actively lobby the government** to develop social enterprise-specific policies, such as tax exemptions, that would take into consideration both the profitability and social impact aspects of social enterprises.

Ghana

Population in 2020:	31.1 million
GDP in 2019:	USD $65.6 billion
Number of SMEs 2020:	1,777,209
Number of SEs 2020	413,300
Prevalence rate SE/SME (%):	5.5%
Ease of Doing Business Ranking:	118 of 190 economies
Human Development Index:	0.596 (medium)

NIGERIA

Western Africa: Nigeria

Overview

Nigeria had a GDP of USD $397 billion in 2019 and a population of 206 million in 2020.[207,208] It has approximately 37 million small- and medium-sized enterprises (SMEs) and 41.6 million jobs.

The International Monetary Fund's (IMF) initial estimates (post-COVID-19) expect Nigeria's economy to grow 2.4% in 2021, after contracting anywhere between 3.4% to 9% in 2020. This is 6 to 11 or more percentage points below Nigeria's expected pre-pandemic growth in 2020, and expected to be half a percentage slower than previous estimates in 2021.[209,210] This study estimates that 1.29 million social enterprises are operating in Nigeria in 2020, offering 1.45 million direct jobs.[211] This figure is particularly high compared to all other target countries, due to the high number of SMEs in Nigeria. The population is still expected to grow by 2.7% annually, leading to a working age population (15-64) of 147.7 million people in 2030.[212]

This study projects that approximately 1.88 million direct jobs will be in social enterprises in Nigeria by 2030, an increase of approximately 432,000 since 2020. As discussed further below, government support, growing internet penetration and an increasingly sophisticated ICT sector, and SME-led industrialization are expected to drive this growth in jobs. Social enterprises in the agricultural sector are projected to provide significant additional income opportunities in 2030, driven by technical and operational support offered by the government. Figure 19 shows the total number of direct jobs that could be in social enterprises in 2020 and 2030.

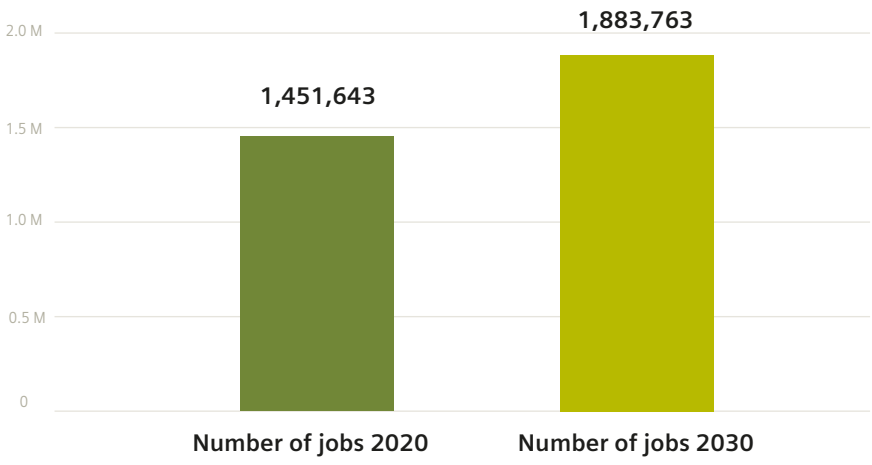


Figure 19:
Estimated direct jobs in social enterprises in Nigeria, 2020-2030

Financial ecosystem

Medium

Financial ecosystem

Nigeria accounts for more than a third of all remittances into Sub-Saharan Africa and the total is seven times more than net official development assistance.[213] However, remittances, foreign aid, and government support only cover 14% of the USD $158.1 billion funding gap for SMEs.[214] Only a handful of impact funds have a local presence, and most DFIs and impact investors active in Nigeria are headquartered outside of the country. This may make it challenging for many social enterprises to access this network.

Technical support ecosystem

Medium

Technical support ecosystem

Nigeria has the strongest technical support network in West Africa, with more than 90 organizations offering support.[215] Support organizations focus on early-stage enterprises, with only 14% offering support to mature stage social enterprises. Additionally, most of the support is skewed towards tech-enabled social enterprises, limiting support to those in other key sectors such as agriculture which could provide 42% of direct jobs by 2030.

Enabling environment

Weak

Enabling environment

Restrictive taxes on investor returns make investment in Nigeria unattractive. Besides the country's low ranking (131 of 190 globally) in terms of ease of doing business, stringent currency controls limit the use of foreign currency and discourages capital inflows.[216] Additionally, there is no social enterprise industry body to advocate for social enterprise positive government policies.

NIGERIA

Financial ecosystem

Nigeria has a well-developed banking sector and a large supply of diaspora remittances (~USD $23.63 million) with government funding supplementing the sector. Despite the available capital, a MSME funding gap of USD $158.1 million reported by the IMF in 2017 persists.[217] There are several reasons why social enterprises in particular struggle to access available capital whether commercial, private, or philanthropic. Commercial debt comes with high collateral requirements (~200% of the value of the loan). The government banned equity crowdfunding (a popular destination for remittances in other West African countries, such as Côte d'Ivoire). Philanthropy is often only available in grants of more than USD $5 million, considerably more than most social enterprises can absorb. Figure 20 below highlights the types of capital which most accessible to social enterprises in Nigeria. The example organizations are non-exhaustive.

Medium Strength of financial ecosystem

Predominant type of support in Nigeria

	Philanthropy		Impact investing		Traditional financial services
Investor focus	Impact first			Profit first	
Investor type	Charitable donor	Venture philanthropy	Direct impact investor	Venture capital or PE	Traditional commercial banks
Capital	Grants and donations		Equity and quasi-equity		Debt

Figure 20:
Financial ecosystem assessment

Strengths

Government funds have provided funding for some enterprises. For example, the government launched a loan program, the Lagos State Employment Trust Fund (LSETF), that offers affordable funding to small businesses, offering loans at 5% interest per year to businesses registered in Lagos State.[218] Such programs could help social enterprises access financing to grow and create more direct jobs.

Nigeria has the largest **diaspora network** in the region – an estimated 5 to 15 million people – who send more than a third of all remittances flowing to Sub-Saharan Africa, USD $23.63 million per year. This is often accessible to SMEs and social enterprises through friends and family funding.[219] Remittances are expected to keep growing as a result of large intra-regional migration from the SSA region. For this reason, the government launched a commission Nigerians in Diaspora Commission (NiDCOM),[220] in 2017 to help engage and utilize diaspora capital and material resources in the economic development of Nigeria.

Barriers

Most social enterprises find it hard to access debt funding from MFIs and commercial banks because of expensive offered terms. Banks may require **more than 200% of the value of the loan** as collateral, limiting access to institutional debt for social enterprises.

In 2016, the government, through the Nigerian Security and Exchange Commission, **banned equity crowdfunding,** despite this mechanism having raised close to USD $8 million the previous year.[222] This represents a step back on efforts to cover the existing funding gap for SMEs, including social enterprises. Meanwhile, philanthropic institutions in Nigeria have been **inaccessible to social enterprises,** since most offer ticket sizes greater than USD $5 million, which may be too much for some of the small social enterprises.

Some **social enterprises are not investable** with investors struggling to find a good pipeline of business that have robust operational systems, proper financial management, and good governance. Impact investors struggle sourcing viable investments that meet both financial and social objectives with most of the business created out of a need to find employment and not really solving any problems in society.

Technical support ecosystem

Nigeria has more than 90 technical support organizations, funded by grants, corporate institutions (e.g. Facebook), and local educational institutions, i.e. Covenant University and the University of Nigeria launched Start-Up Labs in 2017. Many of these technical organizations run as incubators and accelerators working with early-stage businesses and are skewed more towards tech-based start-ups. Figure 21 shows the features of technical support most accessible to social enterprises in Nigeria, with examples of organizations (non-exhaustive).

Medium Strength of technical support

Predominant type of support in Nigeria

	Incubators	Accelerators	Hubs	Co-working spaces
Services	Business development services, mentorship, training and funding			Shared office space
Focus	Innovation	Scalability	Collaboration	Networking
Support duration	3-4 months	12-18 months		Unlimited

Figure 21:
Technical support ecosystem

Strengths

Nigeria has a **large and diverse network of support organizations,** with more than 90 organizations offering a range of support, including mentoring and coaching, incubation and acceleration, co-working spaces, and even medium-term consulting. Many of them focus on the information and communications technology, access to finance, and education sectors.

Early-stage enterprises that receive support from these organizations are **23% more likely to receive investment** and therefore also more likely to generate new jobs.[221] This track record also encourages social enterprises to work with these organizations offering technical support.

NIGERIA

Barriers

Only **20% of the supporting organizations offer support in finance or accounting,** which is a substantial element of investment readiness.[223] This can hinder social enterprises from building robust financial management systems that can attract investors. Meanwhile, only **14% of support organizations focus on mature social enterprises,** which still need support with expansion and strategy.[224]

Enabling environment

Nigeria's government has tried to stimulate SME growth through several different programs but still lacks specific policies to support the growth of social enterprises. In the past, the government has played a reactionary role in the private sector, addressing challenges as they arise. Indeed, the country's Ease of Doing Business ranking improved from 146 out of 190 in 2019 to 131 in 2020.[225] A strong SME body, the Small and Medium Enterprises Development Agency of Nigeria, coordinates activities and policy between the government and the private sector.

Business policy

The government established the **Export Promotion Council** to catalyze development of enterprise in non-oil sectors by offering consulting and advisory services and investment to non-oil firms to enable them to scale up.[226] This will support any social enterprises that export or import goods, for example by matching businesses that export agricultural produce with potential buyers.

Currency controls by the Central Bank of Nigeria discourage foreign investment and capital inflows.[227] These currency controls limit the use of foreign currency. As investments into the country are typically denominated in dollars, this greatly discourages investors from deploying capital into the country, limiting the amount of capital available to social enterprises.

Business infrastructure

To encourage formal business formation, the government's **Presidential Enabling Business Environment Council (PEBEC)** automated business registration and reduced tax payment time to eight hours.[228] In terms of physical infrastructure, however, Nigeria has a **low electrification rate (45%) and very slow internet (176th globally);** internet penetration is 39%.[229,230,231] Lack of access to high-quality, robust internet and electricity prevents social enterprises from accessing technology-based solutions to business problems, hindering productivity.

Tax policy

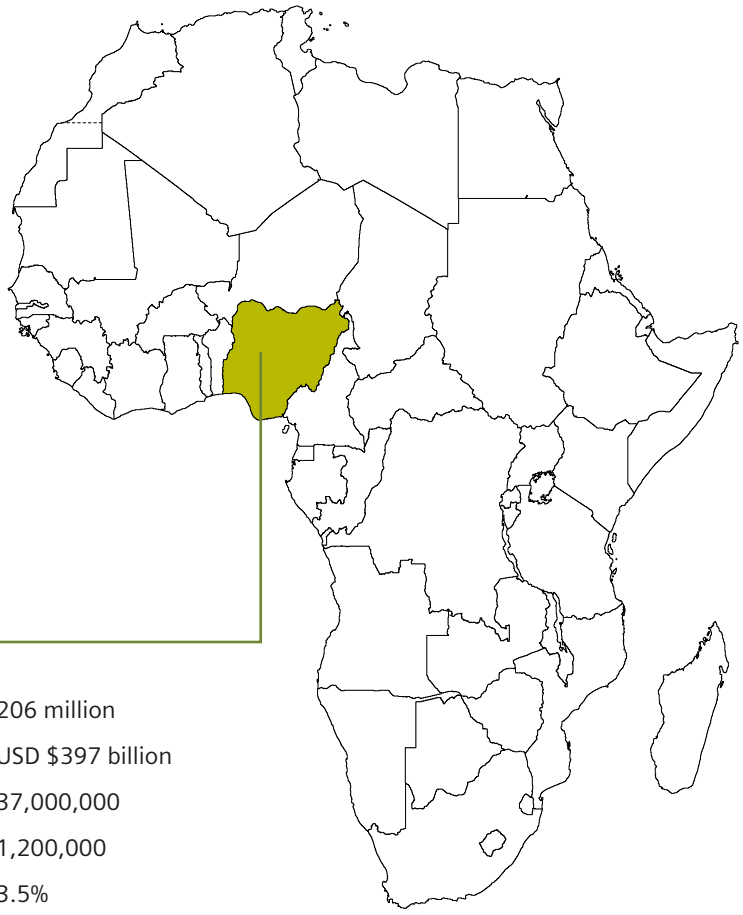
The government of Nigeria has **reduced the tax burden on SMEs.** The new finance bill, when signed into law, will offer preferential tax rates for SMEs, including social enterprises. Businesses with annual turnover greater than USD $261,000 will be subject to 30% tax, while those with annual turnover between USD $65,000 and USD $261,000 will be charged 20%.[232] Those below this bracket will be exempt from tax altogether. This will allow social enterprises to retain more earnings to reinvest in their operations to scale and create jobs.

Restrictive tax policies for investors discourage the deployment of capital into Nigerian businesses. The Tertiary Education Trust Fund and National Information Technology Development Fund Acts impose 1% and 2% taxes, respectively, on foreign investor profits, on top of the corporate tax charged.

Industry body

The Nigerian government established the **Small and Medium-sized Enterprise Development Agency of Nigeria (SMEDAN),** which develops and facilitates development programs (e.g.,the National Enterprise Development Porgram) and hosts sessions to provide training to SMEs.[233] Additionally, it advocates for SMEs, lobbying for supportive policies, and creating networking opportunities to share knowledge among SMEs, including social enterprises.

Nigeria **lacks a social enterprise advocacy body** to raise awareness of social enterprises and promote social enterprise-specific policies, such as tax exemptions, that would take into consideration both the profitability and social impact aspects of social enterprises.



Nigeria

Population in 2020:	206 million
GDP in 2019:	USD $397 billion
Number of SMEs 2020:	37,000,000
Number of SEs 2020	1,200,000
Prevalence rate SE/SME (%):	3.5%
Ease of Doing Business Ranking:	131 of 190 economies
Human Development Index:	0.534 (low)

SENEGAL

Western Africa: Senegal

Overview

Senegal had a GDP of USD $24.1 billion in 2019, and its population in 2020 is 16.7 million.[234,235] It has 300,000 small- and medium-sized enterprises (SMEs) and approximately 4 million jobs, of which 4.6% are formal employment.[236]

The International Monetary Fund's (IMF) initial estimates (post-COVID-19) expect Senegal's economy to grow at 3% in 2020 and 5.5% in 2021.[237] Lloyds Bank predicts that Senegal's recovery will be driven by public investment under the pre-existing development strategy, 'Plan Sénégal Emergent' (PSE), as well as global economic recovery and private consumption.[238] This study has estimated that approximately 16,500 social enterprises are operating in Senegal, employing 78,800 people directly.[239] The population is expected to grow at 2.8% annually, leading to a working age population (15-64) of 12.5 million people in 2030.[240]

This study projects there will be approximately 104,900 direct jobs in social enterprises in Senegal by 2030, approximately 26,100 more than in 2020. The government is supporting industrialization of agriculture and increased value-added processing. They have also improved the legal and regulatory framework for ICT companies, including social enterprises. Social enterprises in the agricultural sector are expected to provide significant additional income-generating opportunities, driven by the government's technical and operational support, including subsidies for capital equipment. Figure 22 shows the estimated total number of direct jobs in social enterprises in 2020 and 2030 (projected).

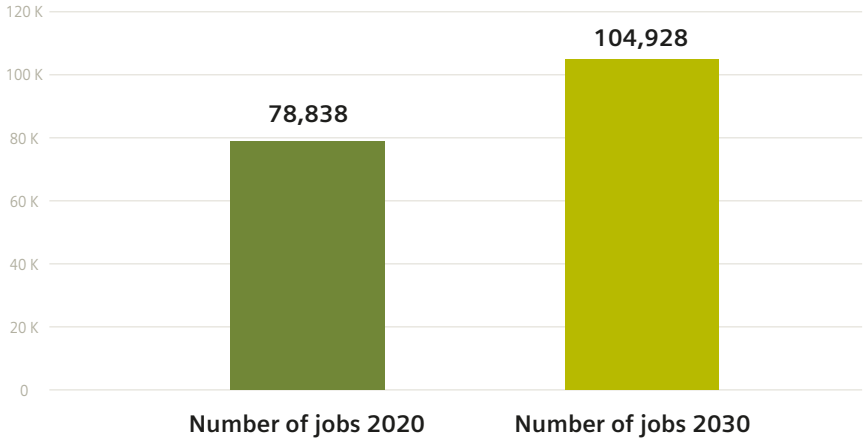


Figure 22:
Estimated direct jobs in social enterprises in Senegal, 2020–2030

Financial ecosystem

Strong

Financial ecosystem
More than 20 Development Finance Institutions (DFIs) and impact investors are active in Senegal, and they offer capital in small ticket sizes, which is often crucial for social enterprises' growth.[241] However, commercial debt terms which often include high collateral requirements (>250% of loan value) make it inaccessible to all SMEs, including social enterprises.[242]

Technical support ecosystem

Medium

Technical support ecosystem
An emerging ecosystem of technical support providers offers a wide variety of services, including training, office space, and tax and accounting services. Most support providers, concentrate on tech-focused businesses, making it hard for social enterprises operating in other sectors to access support. Moreover, the number of support organizations is small compared to the number of businesses that need support, compared to other countries.

Enabling environment

Medium

Enabling environment
The government supports SMEs through funding and policies to encourage SME growth. High urban electrification rates and the introduction of online tax filing systems have fostered business productivity. However, small- and early-stage businesses lack any specific tax relief and 80% of SMEs remain informal. UNACOIS (Union Nationale des Commerçants et Industriels du Sénégal) supports the development of business-enabling policies, but there is no social enterprise-specific body to advocate for policies to support social enterprises specifically.

SENEGAL

Financial ecosystem

Development Finance Institutions (DFIs) and private impact investors invested more than USD $536 million and USD $16 million in Senegal respectively between 2005 and 2015.[243] However, by 2017 the IMF estimated that micro-, small-, and medium-sized enterprises (MSMEs), including social enterprises, still faced a USD $915 million funding gap.[244] This is particularly acute for small and informal enterprises who are unable to meet the strict requirements to access commercial debt, although it is available.[245] Figure 23 below highlights the types of capital which are most accessible to social enterprises in Senegal. The example organizations are non-exhaustive.

Strong **Strength of financial ecosystem** Predominant type of support in Senegal

	Philanthropy		Impact investing		Traditional financial services
Investor focus	Impact first			Profit first	
Investor type	Charitable donor	Venture philanthropy	Direct impact investor	Venture capital or PE	Traditional commercial banks
Capital	Grants and donations		Equity and quasi-equity		Debt

Figure 23:
Financial ecosystem assessment

Strengths

Impact investors focus on sectors with high job creation potential like manufacturing and agriculture, which are projected to account for 55% of social enterprise jobs in 2030. Up to 2015, 87.5% of funds committed, more than USD $14 million were spent in these two sectors.[246] DFIs invested more than USD $132 million, although this was a lower proportion, 25% of all funds committed.

Impact investors and DFIs make capital accessible for social enterprises. More than half of DFI deals and all non-DFI deals completed between 2005 and 2015 were smaller than USD $5 million. Furthermore, 67% of non-DFI deals were in ticket sizes of less than USD $1 million.[247] This matches the capital needs of many social enterprises.

Barriers

Social enterprises are likely to struggle to access commercial loans, as banks can require collateral of more than 250% of the loan size.[248] This is often to mitigate risks inherent in lending to informal organizations, as more than 80% of SMEs, including social enterprises, are informal in Senegal. This can often also mean they do not have up to date financial reports.[249]

Technical support ecosystem

Senegal has a growing network of technical support organizations to help SMEs, including social enterprises, grow and create jobs through non-financial interventions. These organizations are funded by non-government organizations (e.g., Ker-Thiossane), financial institutions (e.g., Grofin, through a technical assistance facility), and banks (e.g., Société General). Most of these organizations focus on tech-enabled social enterprises and SMEs, which may exclude organizations in sectors with the greatest potential to create jobs. Figure 24 shows the types of technical support most accessible to social enterprises in Senegal, with examples of organizations (non-exhaustive).

Medium Strength of technical support | Predominant type of support in Senegal

	Incubators	Accelerators	Hubs	Co-working spaces
Services	Business development services, mentorship, training and funding			Shared office space
Focus	Innovation	Scalability	Collaboration	Networking
Support duration	3-4 months	12-18 months		Unlimited

Figure 24:
Technical support ecosystem assessment

Strengths

Most support focusses on tech-enabled SMEs which will help realize the potential jobs in Senegal's growing ICT sector**.** They encourage innovation and growth in the ICT sector by promoting digital literacy to drive demand and usage and helping enterprises to develop technical expertise.[250,251]

Support organizations provide a variety of services, including networking and collaboration, training, entrepreneur coaching, tax and accounting services, links to capital sources, and co-working space. Often these services are provided under one roof, which theoretically should decrease the time and effort for social enterprises to access them.[252]

Barriers

Despite growing ecosystem support, **the network of 28 support organizations is relatively small given the considerable number of SMEs** in Senegal: an estimated 300,000 SMEs and 13,500 social enterprises in 2020. This limits access to capacity-building services and hinders social enterprises' ability to scale.

Technical support organizations are **not always organized around sectors that are expected to create the most jobs.** For example, agriculture is expected to account for 41% of jobs in social enterprises, only four hubs focus on agri-tech, and even fewer focus on agriculture.[253]

SENEGAL

Enabling environment

The Senegalese government has tried to support SME growth through various policies and improved bureaucracy such as creating online systems for filing and paying taxes, were introduced in 2018.[254,255,256] The country's Ease of Doing Business ranking improved from 141 out of 190 in 2019 to 123 in 2020. However, social enterprises may not be able to benefit from these improvements as there is no specific body to facilitate policy collaboration between the government and the private sector to encourage social enterprise.

Business policy

The government **actively supports SMEs by developing policies that support their growth.** Through the Economic Modernization Act, it has established bodies that provide development support and funding to SMEs. Additionally, it has simplified the process of starting a business, reducing the minimum capital requirement to start a business to USD $2,000, introducing a new company structure that is cheaper and faster to incorporate, and reducing notary fees for company incorporation.[257]

Despite government support, **limited collaboration among different policy initiatives** makes SME adoption slow and ineffective.[258] For example, while current policies accelerate the business set-up process to support formalization, lack of tax relief discourages small businesses from registering due to fear of additional tax-related costs that could impede business growth and long-term sustainability.[259]

Business infrastructure

Senegal has a **high urban electrification rate (88%),** greater than the Sub-Saharan African urban average of 78%.[260,261] This facilitates access to support services such as information and telecommunications systems that boost operational efficiency and improve businesses' productivity.

While the government has intensified efforts to reduce business startup costs, **it still costs USD $6,150 to register a new business.**[262] This both discourages new business registration, but it is also a barrier to informal businesses registering formally, which means they cannot access financing commercial and/or formal impact capital.

Tax policy

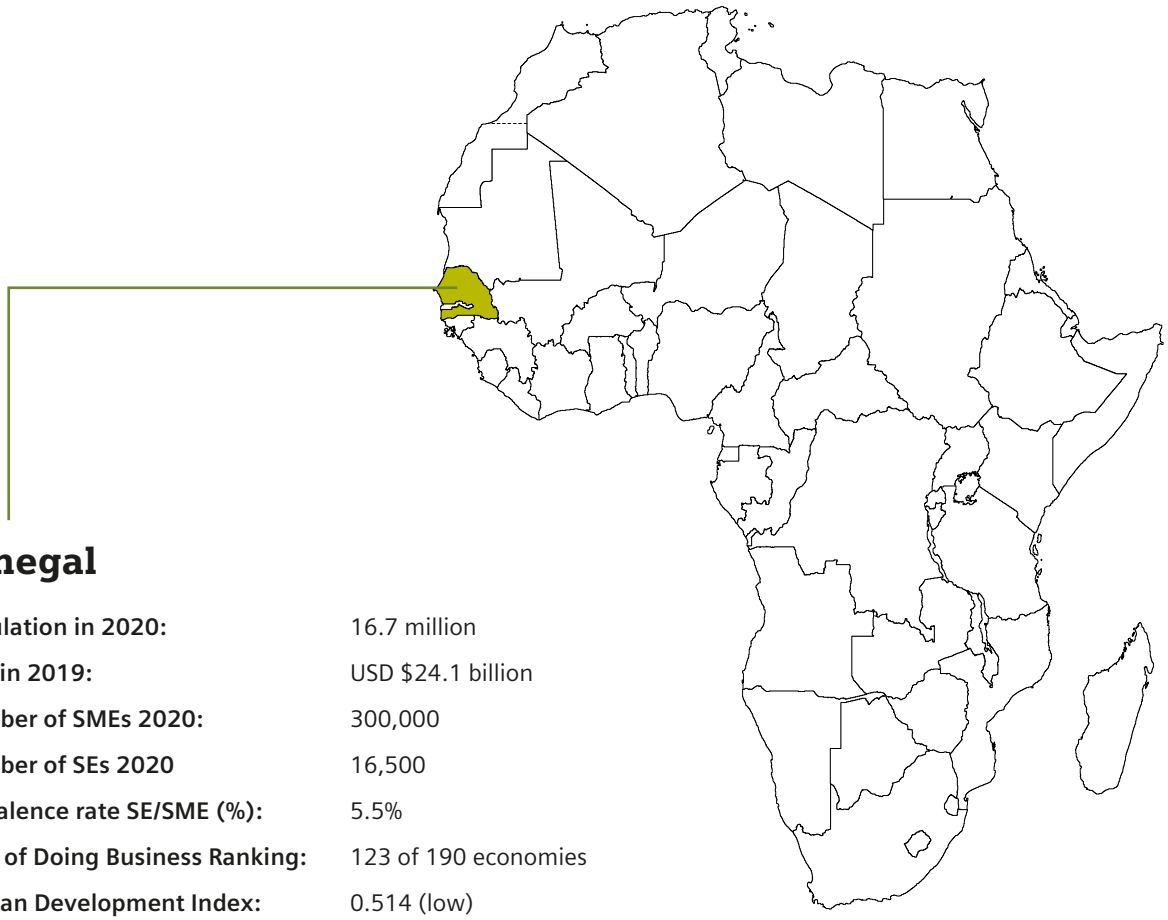
In 2018, the government introduced **online systems for filing and paying taxes** that reduced the time and cost businesses spend on tax compliance processes from 441 to 416 hours per year between 2019 and 2020.[263]

Nonetheless, **there is no dedicated tax relief for small- and early-stage businesses,** which is an added incentive for new and informal SMEs, including social enterprises, to avoid formal business registration. As discussed, they are locked out from growth capital as a result.

Industry body

Union Nationale des Commercants et Industriels du Sénégal (UNACOIS) supports the **development of business-enabling policies** by empowering members to engage with government in **direct dialogue** and submitting proposals for potential policy reforms.[264]

However, there is **no social enterprise-specific body to lobby the government** for enabling policies (such as tax exemptions) that would take into consideration both the profitability and social impact aspects of social enterprise.



Senegal

Population in 2020:	16.7 million
GDP in 2019:	USD $24.1 billion
Number of SMEs 2020:	300,000
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)

ETHIOPIA

Eastern Africa: Ethiopia

Overview

Ethiopia has a GDP of USD $94 billion and a population of 109 million in 2020.[265,266] It has approximately 800,000 small and medium-sized enterprises (SMEs) and 1.2 million jobs.[267,268,269,270]

The International Monetary Fund's (IMF) initial estimates (post-COVID-19), expect Ethiopia's economy to grow at a rate of 4.3% in 2021, an adjustment of -3.1% from pre-COVID-19 estimates.[271] This study estimates that in 2020 there are 27,900 social enterprises in Ethiopia, employing possibly 42,700 people directly.[272] The population is expected to grow by 2.6% annually, leading to a working age population (15-64) of 86.8 million people in 2030.

There are expected to be approximately 55,600 direct jobs in social enterprises in Ethiopia by 2030, and it is projected that approximately 12,900 could be added between 2020 and 2030. As discussed further below, government and private support, increased demand for housing, and expansion of the financial sector are expected to drive these jobs. In addition, social enterprises in the agricultural sector are also expected to provide significant additional income opportunities by 2030, driven by technical support offered by the government. Figure 25 shows the total number of direct jobs that could be in social enterprises in 2020 and 2030.

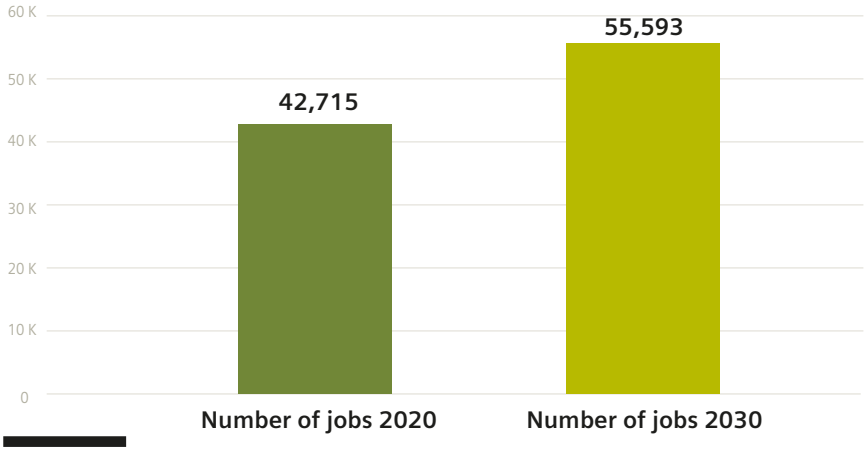


Figure 25:
Estimated direct jobs in social enterprises in Ethiopia, 2020-2030

Financial ecosystem

Medium

Financial ecosystem
Impact capital is available from investors, such as those involved in Renew LLC's Impact Angel Network.[273] However, the available capital is not sufficient to address the financing needs of MSMEs, including social enterprises. This has resulted in a persistent funding gap of ~USD $4.3 million as of 2017.[274]

Technical support ecosystem

Weak

Technical support ecosystem
Ethiopia has a network of 62 support organizations, concentrated in Addis Ababa. However, only 18% of social enterprises are in the capital, which may restrict accessibility.[275] Additionally, 50% of support organizations are focused on agriculture, signaling that social enterprises in other sectors may struggle to access specialized support for their sector's needs.

Enabling environment

Medium

Enabling environment
Ethiopia has an active social enterprise body, Social Enterprise Ethiopia, which was established in 2018. According to the Aspen Network of Development Entrepreneurs, the industry body has so far focused on facilitating member networking rather than taking on an advocacy role to lobby and collaborate with government which could result in favorable policies towards social enterprises.[276]

ETHIOPIA

Financial ecosystem

The current supply of capital for social enterprises includes debt financing from microfinance institutions (MFIs) and impact capital from local angel networks, mainly supported by international non-governmental organizations (NGOs) and donors. Despite the capital availability, the IMF estimated in 2017 that micro-, small- and medium size enterprises faced a >USD $4.3 billion funding gap in Ethiopia and social enterprises are expected to share this challenge. According to Intellecap, this disparity is likely caused by government restriction on direct foreign investments and mismatch of funding needs between investors and entrepreneurs, in terms of type of capital provided.[277] Figure 26 shows the type of capital available to social enterprises in Ethiopia.

Medium Strength of financial ecosystem

Predominant type of support in Ethiopia

	Philanthropy		Impact investing		Traditional financial services
Investor focus	Impact first			Profit first	
Investor type	Charitable donor	Venture philanthropy	Direct impact investor	Venture capital or PE	Traditional commercial banks
Capital	Grants and donations		Equity and quasi-equity		Debt

Figure 26:
Financial ecosystem analysis

Strengths

Given the low inflow of impact capital (only 7% of total foreign impact capital in East Africa), more than 45 micro-finance institutions (MFIs) in Ethiopia play a significant role in filling this gap between the demand and supply of impact capital. MFIs have a client base of more than 3 million and have issued ~USD $394 million in loans as of 2017.[278] In addition to no or low collateral terms, MFIs also leverage informal financial models, such as 'iqub' and 'iddir', to tailor their financial products and widen their client base.[279]

Additionally, international non-governmental organizations (NGOs) and donors are shifting from charitable giving to long-term development. A portion of the 62% of **NGOs** piloting new impact investing approaches in East Africa, **have channeled their funds to local angel investor networks (e.g. RENEW). As a result, the availability of impact capital to social enterprises has increased** and enabled through equity investments of USD $200,000 – $3 million provided by the networks.[280]

Barriers

Despite the high volume of foreign impact capital, flowing into East Africa from private impact investors, **only 7% (~USD $90 million)** is received in Ethiopia and available to social enterprises. Low inflows of impact capital are a result of government restriction on foreign investments through heavy regulations limiting direct investment, requiring majority local ownership and capping the amount of funds repatriated outside the country.[281] These measures are instituted to protect against majority foreign control in key sectors but have further discouraged investors even from minority stake investments.

In addition, there is a **mismatch between the funding needs of social enterprises and the type of capital available.** While 86% of investors provide equity, only 5% of social enterprises require this type of financing as most businesses tend to be family owned and may be hesitant to share ownership rights.[282]

Technical support ecosystem

Ethiopia has a strong network of support entities which aim to help SMEs, including social enterprises, grow and create jobs through non-financial interventions. They are mainly funded by foundations (e.g. Ford Foundation) and bilateral organizations including USAID. The Aspen Network of Development Entrepreneurs reports however, that ~75% of them are concentrated in the capital, Addis Ababa, which is likely to limit their ability to support social enterprises in other regions.[283] Figure 27 shows the types of technical support most accessible to social enterprises and examples of organizations (non-exhaustive).

Weak **Strength of technical support** Predominant type of support in Ethiopia

	Incubators	Accelerators	Hubs	Co-working spaces
Services	Business development services, mentorship, training and funding Profit first			Shared office space
Focus	Innovation	Scalability	Collaboration	Networking
Support duration	3-4 months	12-18 months		Unlimited

Figure 27:
Technical support ecosystem Assessment

Strengths

Ethiopia has a **network of more than 62 technical support organizations,** including 36 business development providers and 27 accelerators and hubs (e.g., Growth Africa and Seedstars). These organizations offer a wide range of services, with 40% offering business strategy and planning, 32% providing networking opportunities, 32% offering value chain development, 25% offering financial management, 22% providing technology development and 18% offering marketing research and support.[284] These services provide social enterprises with the skills and networks they require to grow and create jobs.

Many support organizations **bundle social enterprise services,** including co-working spaces, training, and entrepreneur coaching.[285] This makes it easier for social enterprises to access a wide range of services and should be more cost efficient for support organizations which are fully using their resources, e.g. providing training from a co-working space.

Barriers

Accelerators and hubs **are concentrated in Addis Ababa.** This could likely limit the attention to innovative social enterprises in other regions including Somali, which is a high renewable energy zone.[286] Social enterprises in these regions therefore may be unable to acquire skills needed to scale and create jobs.

There is limited amount of support available to non-agriculture social enterprises with 50% of support organizations focused on agriculture.[287] This could limit the ability of social enterprises in other sectors to scale and create jobs, for example, with add space before 'with' only 3% of organizations specializing in affordable housing, although the sector is expected to generate the 2nd highest number of direct jobs in social enterprises.

ETHIOPIA

Enabling environment

Ethiopia has a state-controlled policy environment, which in the main also serves as a restrictive environment for social enterprise creation and growth in government priority sectors including renewable energy and ICT. The ease of doing business ranking has improved from 161 in 2018 to 159 in 2019 and 2020, on the back of policies to support local SMEs and favorable business registration policies. The industry body, Social Enterprise Ethiopia, aims to support social enterprise policy, but has had limited market influence, as it is still young, and social enterprises are still subject to commercial tax rates.

Business policy

The government created a **MSME development agency,** the Federal Micro and Small Enterprises Development Agency (FeMSDA), in 2011 to promote the MSE sector in the country. Through the technical support provided, the agency has led to the elevation of 3,141 enterprises from small enterprise level to middle enterprise level and facilitated ~5 million SMEs to access finance.[288] This support has benefitted social enterprises which operate in the MSME sector by enabling the enterprises to scale and create jobs.

Investment policies are aimed at limiting foreign investment in priority government sectors. Some of the key sectors include renewable energy and ICT which are expected to account for approximately 5% of direct social enterprise jobs. Restrictive policies include a requirement for foreign investors interested in investing in these sectors to provide goods and services to domestic firms. This discourages foreign investments that could drive job growth in these sectors, including financial inclusion which has the 3rd highest number of direct jobs.[289]

Business infrastructure

The government **eliminated the minimum capital requirement** in 2018 to promote the registration of new businesses. Prior to this, the paid-in capital amounted to 184% of a business owner's income. The elimination of the minimum capital requirement incentivized entrepreneurs, including social entrepreneurs to formally register new businesses, which gave employees the statutory protections of formal employment.[290]

Ethiopia has **only 12% internet penetration and 43% mobile penetration,** significantly behind East African neighbors such as Kenya with 24% internet penetration and 112% mobile penetration.[291] This threatens the ability of internet and mobile-based social enterprise models to scale successfully, as many have done using Kenya's mPesa, for example. In financial inclusion, low mobile penetration will prevent increased income opportunities through mobile banking. In all sectors, social enterprises will struggle to make data-informed decisions which could help them to realize their scale potential and connect and communicate with potential investors and technical support organizations.

Tax policy

The government provides **tax incentives to businesses in high priority sectors** such as agriculture, manufacturing, and sustainable tourism to drive expansion. For example, manufacturing firms with more than 50 employees can make capital investments without attracting any tax.[292] The provision of the tax incentives could enable social enterprises to achieve this potential as they are motivated to create employment.

Industry body

Ethiopia has an industry body, Social Enterprise Ethiopia, which was established in 2018 to bring together social enterprises and champion their needs. The industry body provides networking opportunities among its members and with ecosystem actors such as funders, coordinates peer learning and mentorship programs e.g., talent programs and provides co-working spaces to members at subsidized rates.[293] In 2018, Social Enterprise Ethiopia partnered with the British Council to organize the Social Enterprise World Forum (SEWF) which brought together more than 1,200 delegates. Such initiatives provide social enterprises with the opportunity to network with peers globally and learn from experts through trainings, allowing them to gain the skills needed to scale their businesses and create jobs.

However, the industry body is still **nascent and has not actively engaged in advocacy** as it has mainly focused on providing networking opportunities for members, office space and training.[294] Social Enterprise Ethiopia was founded in 2017 in a collaboration between British Council Ethiopia and Reach for Change.[295] The organization's key focus to date has been to raise awareness on social enterprises. To further support social enterprises in the country, the body needs to lobby the government for policy recognition that will acknowledge the social enterprise structure. The organization is yet to engage the government in policy discussions as it is currently focused on establishing itself.

Ethopia

Population in 2020:	109 million
GDP in 2019:	USD $94 billion
Number of SMEs 2020:	800
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)

KENYA

Eastern Africa: Kenya

Overview

Kenya has a GDP of USD $91.2 billion and a population of 53.8 million in 2020.[296,297] It has approximately 1.56 million small- and medium-sized enterprises (SMEs) and 6.29 million jobs. [298,299,300,301]

The International Monetary Fund's (IMF) initial estimates (post-COVID-19), expect Kenya's economy to grow at a rate of 6.1% in 2021, an adjustment of -0.2% from pre-COVID-19 estimates, after a slowdown to between 1% and 3% growth in 2020.[302,303] This study has found that there could be approximately 85,600 social enterprises in Kenya in 2020, employing possibly 345,000 people directly.[304] The population is expected to grow by 2.4% annually, leading to a working age population (15-64) of 41.8 million people in 2030.

There are expected to be approximately 444,000 direct jobs in social enterprises in Kenya by 2030, and it is projected that approximately 98,800 will be added between 2020 and 2030. As discussed further below, government and private support, increased demand for housing, and adoption of mobile money are expected to drive these jobs. Additionally, social enterprises in the agricultural sector are also expected to provide significant additional income opportunities in the future, driven by technical and operational support offered by the government. Figure 28 shows the total number of direct jobs that could be in social enterprises in 2020 and 2030.

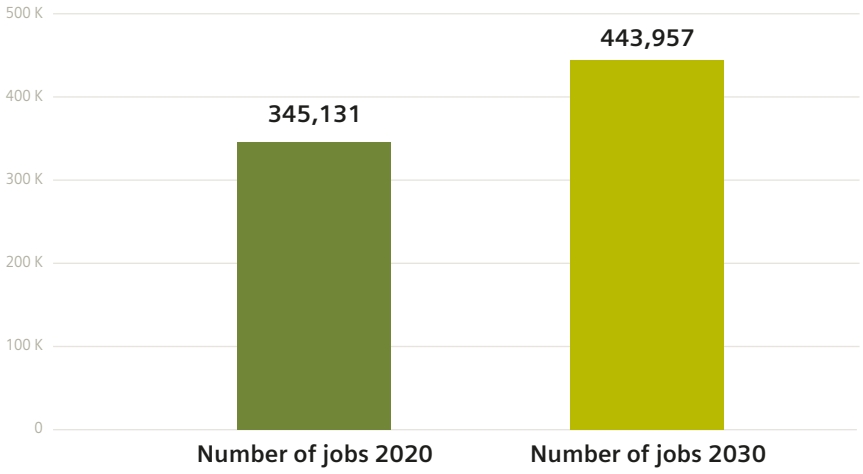


Figure 28:
Estimated direct jobs in social enterprises in Kenya 2020-2030

Financial ecosystem

Medium

Financial ecosystem
Impact investment and debt financing are available in Kenya, but social enterprises may struggle to access this capital. Kenya attracts 46% of impact investments in East Africa, but investors are mainly in major cities and rural social enterprises may not be able to access those networks.[305] Additionally, commercial debt terms include high collateral requirements (252.7% of loan value), which can stifle any lending to SMEs, or social enterprises.[306]

Technical support ecosystem

Strong

Technical support ecosystem
Kenya has a robust network of technical support organizations that offer high quality and relevant services to businesses and social enterprises. There are more than 120 such organizations, but many services are skewed towards tech-enabled business models which may limit the benefits and accessibility for social enterprises that are not tech-enabled.[307]

Enabling environment

Medium

Enabling environment
Government policies aim to support SMEs, and Kenya has both a national social enterprise industry body and hosts the regional social enterprise body. However, neither actively lobbies the government for social enterprise specific policies (e.g. tax exemptions), which could further enable growth.

KENYA

Financial ecosystem

Kenya is a regional impact investment hub with a well-developed banking sector that could provide a variety of types of capital to social enterprises. However, the IMF estimated in 2017 that micro-, small- and medium size enterprises faced a > USD $19.3 billion funding gap in Kenya, and social enterprises are expected to share this challenge. Research indicates that causes of the disparity between available and accessed capital may include strict debt financing terms and investors struggling to find pipeline outside of major cities.[308] Figure 29 below highlights the types of capital which is most accessible to social enterprises in Kenya.

Medium **Strength of financial ecosystem** Predominant type of support in Kenya

	Philanthropy		Impact investing		Traditional financial services
Investor focus	Impact first			Profit first	
Investor type	Charitable donor	Venture philanthropy	Direct impact investor	Venture capital or PE	Traditional commercial banks
Capital	Grants and donations		Equity and quasi-equity		Debt

Figure 29:
Financial ecosystem assessment

Strengths

Kenya is a **vibrant hub for impact investors** and impact investment in the country accounts for 46% of all impact investment deals in East Africa.[309] Approximately 95 impact investors are active through more than 135 impact investment vehicles.[310] Of more than 220 deals closed between 2005-15, approximately 40 deals were in either agriculture or financial inclusion. This represents strong financial support for two sectors which are expected to contribute the most to the total number of jobs in social enterprises in Kenya.[311]

The dominance of mobile money in the country has led to the development of **mobile lending services** (e.g. Branch International and TALA) that provide capital to small businesses including social enterprises.

The **banking sector is highly developed** and social enterprises can expect to find debt capital at various ticket sizes and terms from over 40 commercial banks, 55 microfinance institutions (MFIs), and 5,000 Savings and Credit Cooperatives (SACCOs).[312] Although there can be challenges in accessibility (see 'Barriers'), at the smaller ticket size, MFIs have a total exposure of about USD $44 million to SMEs (which includes social enterprises) and at the larger ticket size, commercial banks do offer SME financial products.[313]

Barriers

Many social enterprises may find themselves unable to access debt capital, because they are either too big for MFIs or cannot afford the terms offered by commercial banks.[314] Bank interest rates were capped until 2020 at 14% (average rates in the period were 12.4%) but commercial banks required **more than 250% of loan value in collateral**, on average, to compensate.[315,316] Surveys of commercial banks find that lack of quality financial information prevents lending to SMEs, and by extension social enterprises, which explains extremely high collateral requirements to mitigate the risk of the unknown.

There is **limited availability of angel investment** in Kenya. Angel investing is nascent in Kenya with USD $10 million deployed between 2008 and 2015.[317] Despite an increasing network of high-net-worth individuals (HNWIs) willing to invest in early-stage businesses, including social enterprises, angel investment provides funding to approximately 2% of businesses in Kenya.[318] This could be attributed to limited awareness of available opportunities by HNWIs and limited awareness of angel investors among businesses.

An estimated 48% of social enterprises in Kenya are in the agricultural sector which **mainly operate in rural and peri-urban areas of Kenya. By contrast, funders are mainly based in Nairobi, Mombasa and Kisumu**.[319] This may result in underperformance, in job creation terms, by agriculture social enterprises, if they are unable to connect with funder networks.

Technical support ecosystem

Kenya has a large network of technical support organizations which aim to help SMEs, including social enterprises, grow and create jobs through non-financial interventions. They are funded by grants, revenue generating activities, local educational institutions (e.g. Strathmore University) and corporations (e.g. Microsoft). In Kenya, many support organizations focus on tech-enabled start-ups, which may limit their impact on social enterprises that are not tech-enabled. Figure 30 shows the features of technical support most accessible to social enterprises in Kenya, with examples of organizations (non-exhaustive).

Strong Strength of technical support — Predominant type of support in Kenya

	Incubators	Accelerators	Hubs	Co-working spaces
Services	Business development services, mentorship, training and funding			Shared office space
Focus	Innovation	Scalability	Collaboration	Networking
Support duration	3-4 months	12-18 months		Unlimited

Figure 30:
Technical support ecosystem assessment

Strengths

Kenya has a **large and diverse network of support organizations** including more than 50 hubs and over 70 incubators.[320] These range from locally-sponsored organizations to those founded by international organizations. They all offer a range of types of assistance from mentoring and coaching sessions to networking opportunities. There is also a wide spectrum of foci from investor readiness support to innovation.

Kenya has a strongly entrepreneurial culture, which encourages experimentation and new ventures, in 2018 alone there were 44,000 new business registrations.[321] This can make for a competitive environment which has already generated a significant number of well-known social enterprises such as M-KOPA, Twiga Foods, etc.

KENYA

Barriers

More than 45 existing technical support organizations focus on tech-enabled businesses. This helps boost Kenya's reputation as a regional tech hub, but may limit support accessible to non-tech-enabled start-ups in sectors such as affordable housing and financial inclusion (where there are traditional cooperative social enterprise business models which are well established and successful) would be excluded.[322]

Enabling environment

Kenya has a pro-business policy environment, which also serves as an enabling environment for social enterprise creation and growth. The Ease of Doing Business ranking improved from 61 in 2019 to 56 out of 190 in 2020, coupled with policies to support SMEs and favorable foreign investment policies.[323] The industry body, Social Enterprise Society of Kenya, aims to support social enterprise policy, but government has not focused on social enterprises specifically and they are still subject to commercial tax rates.

Business policy

The **Micro and Small-sized Enterprise Authority (MSEA) was established in 2012 to undertake policy reforms and implement programs** to develop the MSME sector in Kenya.[324] Some supportive SME policies in Kenya include increasing the SME procurement from 10% to 30% in 2013.[325]

There is **weak government involvement in Public Private Partnerships (PPPs)** that could support social enterprises. The effectiveness of these PPPs often requires strong private sector initiative as the government provides limited funding and engagement.[326]

Business infrastructure

An **electrification rate of 64.5% contributes to social enterprise productivity.**[327] Access to high quality, robust internet in urban centers, and strong mobile internet penetration in rural areas gives social enterprises access to tech-based solutions to operate efficiently (e.g. accounting software).

There is a **long duration to receive a patent** (~3 years) with Kenya Industry Property Institute (KIPI). This limits the incentive for fast-changing ICT and tech-enabled social enterprises to invest in IP.[328]

Tax policy

The **Foreign Investment Protection Act encourages foreign investment** into local SMEs, including social enterprises, and guarantees foreign earnings may be repatriated without additional tax.[329] This encourages foreign investors to deploy capital in Kenya giving social enterprises access to larger pools of capital to sustain and scale operations to create jobs. Additionally, the **Presumptive Tax** came into effect in January 2019 and imposes a tax of 15% of the business permit for businesses with a turnover lower than approximately USD $47,000, payable once a year.[330] This replaced the Turnover Tax which imposed a tax of 3% on gross sales of a business, payable monthly.[331]

On average, Kenya Revenue Authority imposes a total tax rate of 44% on businesses' profit. This tax burden may be a disincentive for social enterprises to grow revenues and create more jobs and it caps the profit available to funnel back into the social enterprise.

Industry body

The **Social Enterprise Society of Kenya (SESOK) was established in 2017** and aims to provide support to and raise awareness about social enterprises by offering technical support and networking opportunities.[332] Additionally, East African Social Enterprise Network (EASEN) is a regional social enterprise body that offers advisory services and aims to advocate for social enterprises in Kenya, Uganda, Tanzania, Rwanda, South Sudan, and Burundi.

However, these industry bodies **do not actively lobby the government** to develop social enterprise specific policies. There is a lack of collaboration between the industry bodies and social enterprises to lobby the government for social enterprise enabling policies that would take into consideration both the profitability and social impact aspect of social enterprises (e.g. tax exemptions).

Kenya

Population in 2020:	53.8 million
GDP in 2019:	$91.2 billion
Number of SMEs 2020:	1,560,500
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)

RWANDA

Eastern Africa: Rwanda

Overview

Rwanda had a GDP of USD $9.5 billion as of 2019 and a population in 2020 of 13.0 million.[333,334] This study estimates that Rwanda has approximately 123,496 small and medium-sized enterprises (SMEs) and 2.6 million jobs, of which 19% are formal employment.

The IMF's initial estimates (post-COVID-19) expect Rwanda's economy to grow at a rate of 6.7% in 2021, an adjustment of -0.2% from pre-COVID-19 estimates, after a slowdown to 3.5% growth in 2020.[335,336] The population is expected to grow 2.5% annually.[337] This annual growth will lead to a working age population (15-64) of 9.7 million people by 2030.[338] This study has estimated that there are 4,300 social enterprises in Rwanda, employing 18,300 people directly.

There are expected to be approximately 23,300 direct jobs in social enterprises in Rwanda by 2030, a projected increase of 5,000 from 2020. As discussed further below, government and private support for the agricultural sector, increased demand for affordable housing, and growing adoption of mobile banking are expected to drive job creation in these sectors. Additionally, social enterprises in the agricultural sector are expected to provide a significant amount of additional income opportunities, driven by technical and operational support offered by the government. Figure 31 shows the total number of direct jobs in social enterprises in 2020 and 2030 (projected).

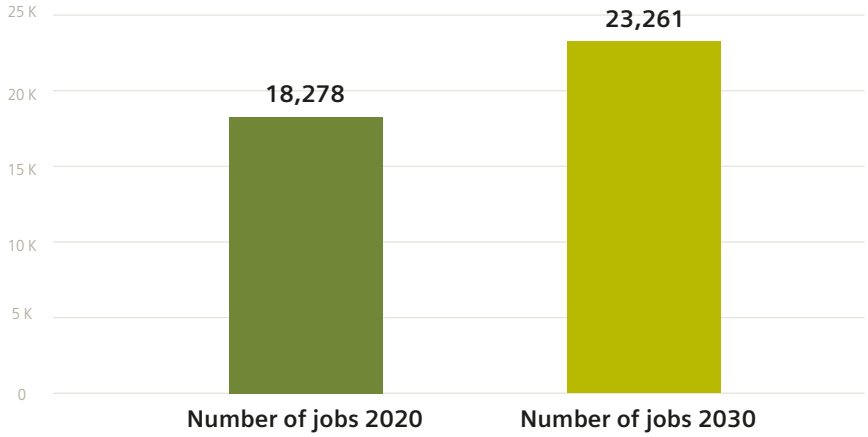


Figure 31:
Estimated direct jobs in social enterprises in Rwanda 2020-2030

Financial ecosystem

Weak

Financial ecosystem
Rwanda receives less impact investment than its neighbors (representing 7% of deals in East Africa); 89% of such funding comes from Development Finance Institutions, which prefer deals larger than USD $ 1 million. Commercial debt financing is available, but social enterprises may find the terms unaffordable, with high interest rates (~26% by MFIs and ~18% by banks) and collateral demands by some MFIs of up to three times the value of the loan. These strict terms for debt have led to a heavy reliance on grants among social enterprises.[339]

Technical support ecosystem

Weak

Technical support ecosystem
While they offer a diverse range of services, Rwanda has a small network of technical support organizations (~12 entities). Moreover, 59% focus primarily on the agriculture sector; other critical sectors may have more limited or less tailored technical support.

Enabling environment

Strong

Enabling environment
The government of Rwanda has been at the forefront regionally in terms of setting up a pro-business environment; the country ranks among the top 30 (29/190) globally in ease of doing business, compared to an average 111 rank in the region.[340] Besides reducing regulatory complexity and making it easy to start a business, the government offers preferential taxation for new SMEs and investors in the energy and ICT sectors.

RWANDA

Financial ecosystem

While Rwanda is becoming a regional impact investment hub, the IMF estimated in 2017 that micro-, small- and medium-size enterprises in Rwanda faced a > USD $ 1.3 billion funding gap; social enterprises share this challenge.[341] Commercial funding is expensive (~26% interest rates and stringent demands for collateral), leaving most SMEs and social enterprises to meet their total funding requirements using their own capital. Additionally, impact investment volume is historically low, with USD $44 million deployed between 2004 and 2014 (~7% of funding in East Africa), limiting social enterprises' access to finance. Figure 32 below highlights the types of capital which are most accessible to social enterprises in Rwanda. The example organizations are non-exhaustive.

Weak **Strength of financial ecosystem** Predominant type of support in Rwanda

	Philanthropy		Impact investing		Traditional financial services
Investor focus	Impact first			Profit first	
Investor type	Charitable donor	Venture philanthropy	Direct impact investor	Venture capital or PE	Traditional commercial banks
Capital	Grants and donations		Equity and quasi-equity		Debt

Figure 32:
Financial ecosystem assessment

Strengths

Social enterprises have access to a **large pool of donor funding,** with USD $1.2 billion coming from Official Development Assistance countries to support businesses that promote economic development and welfare, including social enterprises. In 2017, USD $157 million of such funding was donated to support production sectors, which includes agriculture, a sector which could provide a majority of direct social enterprise jobs by 2030.[342]

Impact investors support high-priority sectors and early-stage social enterprises in Rwanda. Half of the deals have low ticket sizes (less than USD $250,000). Sectors with high potential for job creation, such as agriculture and financial inclusion (which together could provide 56% of direct jobs in social enterprises by 2030), attract more than 65% of all deals. Investment in these sectors could provide the capital social enterprises need to grow, including at the early stage.[343]

Barriers

Most social enterprises in Rwanda have **trouble accessing local credit** because of stringent terms set by MFIs or local banks, such as interest rates as high as 26% or demand for collateral up to three times the value of the loan.[344] More than 99% of loans issued by MFIs and banks in Rwanda depend solely on collateral to underwrite loan issuance rather than cash flow or credit history. This has created a credit gap that prevents social enterprises from accessing commercial credit that could enable them to scale.[345]

With Rwanda accounting for only 7% of deals in East Africa, impact investors have directed a **low volume of investment to social enterprises** in the country. Development finance institutions (DFIs) account for 89% (about USD $371 million) of the funding available from investors and primarily focus on deals larger than USD $1 million; only USD $44 million was deployed by private impact investors in Rwanda between 2004 and 2014.[346] This limits access to funding for early-stage social enterprises, which typically require small ticket sizes (less than USD $250,000).

Technical support ecosystem

While Rwanda's network of technical support organizations aiming to help SMEs with their business operations is growing, existing organizations cannot meet the increasing need for supportive services. In Rwanda, most support organizations focus on agriculture, leaving out other critical sectors. Figure 33 shows the features of technical support most accessible to social enterprises in Rwanda.

Weak — Strength of technical support — Predominant type of support in Rwanda

	Incubators	Accelerators	Hubs	Co-working spaces
Services	Business development services, mentorship, training and funding			Shared office space
Focus	Innovation	Scalability	Collaboration	Networking
Support duration	3-4 months	12-18 months		Unlimited

Figure 33:
Technical support ecosystem assessment

Strengths

A diverse range of supportive services are offered to social enterprises in Rwanda. More than half are targeted towards the agriculture sector, which could provide 50% of direct jobs by 2030. Such services include business strategy and planning (75% of support organizations), networking opportunities (67%), financial management (56%), and marketing research and support (47%).[347]

Networking events are very common in Rwanda and these increase collaboration among social enterprises in the country. 67% of technical support organizations have facilitated such events, which allow social enterprises to share knowledge and experience amongst themselves.

Barriers

Despite the growing need for support, the **network of technical support organizations remains small,** comprising of just 12 hubs and accelerators. This limits the number of social enterprises that can access supportive services. Additionally, more organizations could offer business advisory services, especially for those social enterprises outside of Kigali, which is most of them.[348]

There is **less support provided to non-agriculture social enterprises,** as most organizations (59%) provide technical support primarily to companies in the agriculture sector.

RWANDA

Enabling environment

Rwanda is ranked 29th globally in terms of ease of doing business, with government measures helping to create a pro-business policy environment. The government has proactively implemented policies that favor businesses, drive public investment, and encourage foreign investment. Social enterprises can register as NGOs or private limited companies, each governed by different funding and taxation laws. The government has encouraged entrepreneurship through tax exemptions for new SMEs, as well as reductions in the timeline required to open a business.

Business policy

The government has reduced regulatory complexity, making it **easy for businesses to acquire legal operating requirements,** such as licenses. For example, it takes just four days to start a business, with only five procedures required. This encourages the establishment of SMEs, including social enterprises.

There is an **investment law (2015)** which encourages private investments by protecting investor and intellectual property rights. However, the law does not apply to social enterprises registered as NGOs, which may face barriers to their operations as a result.[349]

Business infrastructure

Rwanda has **high internet penetration (52%), as well as high mobile penetration (82%).**[350] These factors enable social enterprises to easily access tech-based solutions and enable efficient operations. This in turn catalyzes increased income-generating opportunities; for example, digital lending increases access to the capital required to establish revenue-generating activities.

Electrification rates remain low in Rwanda at about 30% of the population.[351] This increases the cost of maintaining reliable business operations and reduces productivity. For example, social enterprises without reliable access to electricity need to purchase diesel to power generators to support their operations. This also constrains their ability to expand. Supporting renewable energy social enterprises provides the opportunity to strengthen the business environment as they could provide electricity to other social enterprises and promote the job creation potential of social enterprises focused on renewable energy.

Tax policy

New SMEs in Rwanda are exempt from trade license tax for their first two years of business operations.[352] This gives a grace period for businesses to create a foundation without needing to pay taxes to the government. The government also offers a preferential 15% corporate tax rate for investors in the energy and ICT sectors.

Social enterprises may register as NGOs with the government. Those that are registered as limited companies are subject to Rwanda's **high standard corporate tax of 30%.**

Industry body

There is currently **no industry body** that represents social enterprises and lobbies for policies that support the operation of social enterprises, such as tax exemptions. However, social enterprises in Rwanda are represented by the East African Social Enterprise Network (EASEN), which provides social enterprises in East Africa with technical support and access to business networks. The Rwanda Private Sector Federation also lobbies the government to enact favorable laws to support activity in the private sector, including SMEs.

Rwanda

Population in 2020:	13.0 million
GDP in 2019:	USD $ 9.5 billion
Number of SMEs 2020:	123,496
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)

UGANDA

Eastern Africa: Uganda

Overview

Uganda had a GDP of USD $34 billion in 2019, and a population of 45.7 million in 2020.[353,354] It has 1.1 million small- and medium-sized enterprises (SMEs) and 2.5 million jobs in SMEs.[355]

The International Monetary Fund's (IMF) initial estimates (post-COVID-19) expect Uganda's economy to grow at a rate of 4.3% in 2021, an adjustment of -0.6% from pre-COVID-19 estimates, after a 2% to 2.5% slowdown in projected growth in GDP in 2020.[356,357] The population is still expected to grow at 3.7% annually.[358] This study has estimated that approximately 27,400 social enterprises are operating in Uganda, employing 62,300 people directly. In 2030, based on the above estimate for population growth, Uganda's working age population (15-64) will reach 33.9 million people.[359]

This study projects there will be approximately 86,000 direct jobs in social enterprises in Uganda by 2030, corresponding to an addition of approximately 23,700 between 2020 and 2030. As discussed further below, support by the Ugandan government and development partners, adoption of mobile money and telecommunications, eased government regulations of ICT, and tax incentives are expected to drive job growth in these sectors. Social enterprises in the agricultural sector are also expected to provide considerable income-generating opportunities in the future, driven by technical and operational support offered by the government. Figure 34 shows the estimated total number of direct jobs in social enterprises in 2020 and 2030 (projected).

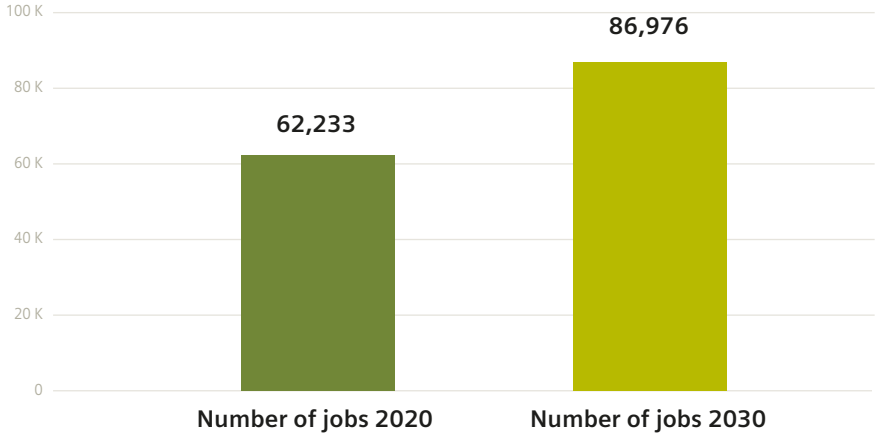


Figure 34:

Estimated direct jobs in social enterprises in Uganda 2020-2030

Financial ecosystem

Weak

Financial ecosystem
While impact investment is available, there is a mismatch between preferred investor ticket sizes and social enterprise needs.[360] Impact investors have long supported SMEs and social enterprises in agriculture and financial inclusion.[361] Commercial debt terms are prohibitive for social enterprises, with high interest rates (19%) and collateral requirements (162% of loan value) stifling lending to all SMEs, as well as to social enterprises.[362 363]

Technical support ecosystem

Medium

Technical support ecosystem
Entrepreneurs in Uganda value collaboration and networking to support their businesses' growth; 68% of entrepreneurs in Kampala belong to peer networks. An emerging ecosystem of technical support providers offers, for example, training, office space, and seed investment, but their concentration in Kampala makes it hard for the many social enterprises operating outside ofKampala to access support. Moreover, limited availability of pre-investment support hinders access to growth capital.

Enabling environment

Weak

Enabling environment
While the government supports SMEs through state-led funding and tax incentives, many social enterprises cannot benefit because the incentives have large capital requirements. Government power concessions have dramatically improved the reliability and cost of electricity, a key operational input, but electrification rates countrywide are low (23% urban, 19% rural). Additionally, lack of a social enterprise body hinders the development of enabling policies.

UGANDA

Financial ecosystem

Impact investors and Development Finance Institutions (DFIs) invested more than USD $300 million and USD $879 million respectively in Uganda between 2004 and 2014.[364] However, the IMF estimated in 2017 that micro-, small-, and medium-sized enterprises (MSMEs) in Uganda, including social enterprises, face a funding gap in excess of USD $4.9 billion.[365] Causes of the disparity between available and accessed capital include strict terms for debt financing and mismatched preferences between investors and enterprises.[366,367] Figure 35 below highlights the types of capital which are most accessible to social enterprises in Uganda. The example organizations are non-exhaustive.

Weak **Strength of financial ecosystem** Predominant type of support in Uganda

	Philanthropy		Impact investing		Traditional financial services
Investor focus	Impact first			Profit first	
Investor type	Charitable donor	Venture philanthropy	Direct impact investor	Venture capital or PE	Traditional commercial banks
Capital	Grants and donations		Equity and quasi-equity		Debt

Figure 35:
Financial ecosystem assessment

Strengths

According to the GIIN's landscape report, **Uganda is the second-largest impact investing market in East Africa.**[368] Approximately 82 impact investors are active through more than 119 vehicles for impact capital. Between 2004 and 2014, impact investors and DFIs provided more than USD $300 million and USD $879 million respectively in investment.[369]

Funders' key priority sectors include agriculture and financial inclusion, which each account for 40% of all impact investor deals in Uganda. Half of DFI deals, meanwhile, were in financial inclusion.[370] This represents strong financial support for two sectors which are accordingly expected to contribute the most to the total number of jobs in social enterprises in Uganda.

Barriers

Social enterprises **have trouble accessing commercial loans** due to prohibitive financing terms required by commercial banks, which demand high interest rates (19%) and collateral-to-loan requirements of 162%.[371,372] Most SMEs, and by extension social enterprises, lack high-quality financial reports. As a result, banks demand extremely high collateral requirements to manage their credit risk.[373]

In terms of ticket sizes, a **mismatch between investor preferences and social enterprise needs** limits access to finance.[374] Most SMEs require less than USD $300,000, while investors prefer larger ticket sizes to amortize high risk and the costs of transaction, selection, and capacity-building.[375] This limits SMEs' access to finance, as investors may be unwilling to undertake the risk and cost involved in disbursing the small amounts the businesses require.

Technical support ecosystem

Uganda has a strong and diverse network of technical support organizations to help SMEs, including social enterprises, grow and create jobs through non-financial interventions. These organizations are funded by grants, revenue-generating activities, local educational institutions (e.g., Makerere University), and the government (e.g., UIRI). Most of these organizations, however, are stationed in the capital, Kampala, which may limit their ability to help social enterprises in rural areas. Figure 36 shows the features of technical support most accessible to social enterprises in Uganda, with examples of organizations (non-exhaustive).

Medium Strength of technical support

Predominant type of support in Uganda

	Incubators	Accelerators	Hubs	Co-working spaces
Services	Business development services, mentorship, training and funding			Shared office space
Focus	Innovation	Scalability	Collaboration	Networking
Support duration	3-4 months	12-18 months		Unlimited

Figure 36:
Technical support ecosystem assessment

Strengths

Uganda has a **strong network of support organizations** offering a range of types of assistance, including mentoring and coaching, networking opportunities, training, office space, and seed investments to develop teams and capacity.[376] Some organizations are locally sponsored, while others are founded or funded by international organizations.

Most entrepreneurs in Uganda **value collaboration and networking to support their growth.** In Kampala, 68% of entrepreneurs use co-working spaces, which enables them to network, share learnings, and access new opportunities to facilitate their growth.[377]

Barriers

Most **business support organizations are stationed in Kampala.** By contrast, social enterprises are distributed across the country to maintain close relationships with their customers and serve them efficiently. Social enterprises operating outside of Kampala have difficulty accessing support in the capital, incurring high costs in transport and time to access the needed services.[378]

Supporting organizations typically **do not adequately prepare social enterprises for investment.** This inhibits the ability of social enterprises to access funding and scale. Consequently, 70% of Ugandan entrepreneurs have unfulfilled capital needs; 40% of MSMEs close annually from lack of credit.[379]

UGANDA

Enabling environment

While government policies aim to support SME growth, many of these policies' large capital requirements lead them to have minimal impact on social enterprises. Compounding this, Uganda lacks a specific body to facilitate policy collaboration between the government and private sector to encourage social enterprise. Some efforts have advanced, however, as the country's Ease of Doing Business ranking improved from 127 in 2019 to 116 out of 190 in 2020 and SME-focused tax incentives were introduced in the 2019/2020 budget.[380]

Business policy

The government **aims to support the growth of SMEs through state-led funding.** Various government-led initiatives include a Micro-finance Support Center American English unless this is the proper name under the Ministry of Finance that provides funding and management training to SMEs and a SACCO credit facility that provides affordable credit and management training to SACCOs.[381,382]

The Bank of Uganda, the country's central bank, charges **a high base interest rate (8-10%).**[383] The high cost of borrowing from the central bank, combined with other risk factors, such as the inadequate financial information that typically define local SMEs, leads commercial banks to charge high interest rates (as high as 20%). This expense inhibits commercial funding of social enterprises.

Business infrastructure

Power concessions have **improved the reliability of power and lowered its cost.** Before 2013, Ugandan businesses experienced long hours of load shedding, causing service firms to lose up to 25% of their sales.[384] Since then, government concessions have enabled it to extend electricity to more people and reduce incidents of load shedding to almost zero.[385] Tariffs have dropped to USD $0.07 for bulk supply and USD $0.14 for end users per kilowatt-hour. More reliable and cheaper power lowers costs of operation, enabling social enterprises to operate more efficiently.[386]

While Uganda's measures to increase access to electricity drove its rising ranking on the World Bank's Ease of Doing Business scale, **low electrification rates persist:** 23% in urban areas and 19% in rural areas.[387] In addition, the country has the highest cost of internet in East Africa with an average of USD $4.69 for 1 gigabyte (compared to USD $0.56 in Rwanda), making it inaccessible to most businesses.[388] This limits businesses' access to supportive services such as information and telecommunications systems, hindering operational efficiency and service delivery.

Tax policy

In the 2019/2020 budget, the **Ugandan government offered tax incentives to support SME growth,** including a 10-year income tax exemption. For Ugandan citizens, this applies to investments worth more than USD $1 million or, if renting or leasing facilities in an industrial park or free zone, to investments worth more than USD $10 million. For foreigners, the exemption applies to investments worth more than USD $50 million for a person renting or leasing facilities in an industrial park or free zone.[389]

These **tax incentives are often not available to social enterprises,** however, as they are tied to investment in industrial parks and larger capital investments that are more common to manufacturing businesses than to social enterprises.

Industry body

The **Federation of Small- and Medium-sized Enterprises (FSME) was established in 2017** to create a robust and conducive business environment for small- and medium-sized businesses in Uganda. It lobbies for SME-enabling policies and provides advisory services to SMEs, such as business registration.[390] Additionally, the **East African Social Enterprise Network (EASEN)** is a regional social enterprise body that offers advisory services and aims to advocate for social enterprises in Kenya, Uganda, Tanzania, Rwanda, South Sudan, and Burundi.

However, these industry bodies **do not actively lobby the Ugandan government** to develop social enterprise-specific policies. There is a lack of collaboration between the industry bodies and social enterprises to lobby the government for enabling policies (such as tax exemptions) that would take into consideration both the profitability and social impact aspects of social enterprise.

Uganda

Population in 2020:	45.7 million
GDP in 2019:	USD $34 billion
Number of SMEs 2020:	1,100,000
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)

SOUTH AFRICA

Southern Africa: South Africa

Overview

South Africa had a GDP of USD $356.1 billion in 2019 and a population of 59.3 million in 2020.[391,392] It has approximately 2.2 million small- and medium-sized enterprises (SMEs) and 9.1 million jobs.[393 394 395]

The International Monetary Fund's initial estimates (post-COVID-19) expect South Africa's economy to grow at a rate of 4.0% in 2021, an adjustment of -1.4% from pre-COVID-19 estimates, after shrinking by 5.8% in 2020 and historically poor 0.15% growth in 2019.[396] This study estimated that 141,500 social enterprises are operating in South Africa as of 2020, offering direct employment to 589,900 people.[397] South Africa's population is expected to grow by 1.6% annually, leading to a working age population (15-64) of 44.6 million people in 2030.[398,399,400]

This study projects there will be approximately 666,600 direct jobs in social enterprises in South Africa by 2030, 76,700 more jobs than in 2020. Figure 37 shows the total number of direct jobs in social enterprises in 2020 and 2030 (projected).

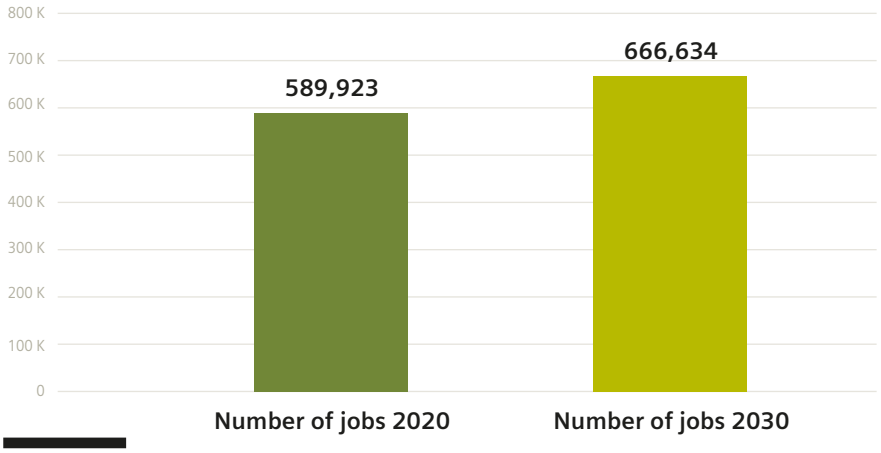


Figure 37:
Estimated direct jobs in social enterprises in South Africa 2020-2030

Financial ecosystem

Medium

Financial ecosystem
South Africa has a well-developed financial sector and nearly three-quarters of impact capital disbursed in Southern Africa between 2005 and 2015 was invested in South Africa.[401] Despite the substantial amount of available funding, it is not always accessible to small social enterprises, as most banks and investors prefer larger ticket sizes than social enterprises are ready to raise.

Technical support ecosystem

Strong

Technical support ecosystem
South Africa has a strong network of organizations that support SMEs, including social enterprises.[402] Technical support organizations work in partnership with investors to offer capacity-building, advisory services, and networking opportunities to businesses. There is also good geographical coverage which makes the support more readily accessible to social enterprises than in other target countries in this study.

Enabling environment

Strong

Enabling environment
The policy environment is designed to support SMEs and social enterprises. Social enterprises registered as public benefit organizations receive tax exemptions on grants and donations. Procurement regulations favor SMEs, and there are incentives for foreign and domestic investors across sectors including manufacturing, agriculture, and tourism. The country's Ease of Doing Business ranking stood at 84 out of 190 as of 2020, making it the easiest place to do business in Southern Africa.[403] However, frequent power shortages, strict labor laws, and poor economic performance in recent years may limit the development and job-creation potential of social enterprises in South Africa.

SOUTH AFRICA

Financial ecosystem

South Africa is the largest recipient of impact capital in Southern Africa and has a large diaspora who send remittances. However, the IMF estimated in 2017 that micro-, small-, and medium-sized enterprises, including social enterprises, faced a USD $5 billion funding gap. Much of the available capital is out of reach of social enterprises because it is deployed in large ticket sizes, or they do not have the technical expertise to raise commercial capital. Figure 38 below highlights the types of capital which are most accessible to social enterprises in South Africa. The example organizations are non-exhaustive.

Medium **Strength of financial ecosystem** Predominant type of support in South Africa

	Philanthropy		Impact investing		Traditional financial services
Investor focus	Impact first			Profit first	
Investor type	Charitable donor	Venture philanthropy	Direct impact investor	Venture capital or PE	Traditional commercial banks
Capital	Grants and donations		Equity and quasi-equity		Debt

Figure 38:
Financial ecosystem assessment

Strengths

Social enterprises have **access to more diverse funding options** than social enterprises in other countries in the Southern Africa region. Enterprises in the country received nearly USD $29 billion in impact capital between 2005 and 2015 with USD $2.5 billion of this deployed by non-DFIs to businesses in financial inclusion and manufacturing.[404] This came from venture capital, grants, and impact capital.

Barriers

Social enterprises in South Africa struggle to access **commercial loans, which are larger than they need.** Banks typically offer loans larger than USD $35,000 and early-stage SMEs, including social enterprises, typically need less than USD $15,000.[405] Therefore, social enterprises have to approach a wider range of sources of capital to fund their initial growth, which adds time and expense.

Some social enterprises in South Africa **lack the skills and experience needed** to properly package their funding requests. A study by Finfind noted that most entrepreneurs lack knowledge of funders, types of ideal investment structures for their business, or criteria required to qualify for funding.[406] Together with a lack of proper documentation and financial structures, social enterprises' growth has been inhibited by the lack of funding.

Technical support ecosystem

South Africa has a large network of technical support organizations that are increasingly partnering with investors to help SMEs, including social enterprises, grow and create jobs through non-financial interventions. These key support services are accessible to more than 80% of social enterprises. These organizations include accelerators (whether locally sponsored or funded by international organizations), hubs, co-working spaces, and incubators funded by corporations (e.g., Old Mutual, Eskom's Enterprise Development program, and Sappi's Project Grow) and government. Figure 39 shows the features of technical support that are most accessible to social enterprises in South Africa, with examples of organizations (non-exhaustive).

Strong	Strength of technical support	Predominant type of support in South Africa

	Incubators	Accelerators	Hubs	Co-working spaces
Services	Business development services, mentorship, training and funding			Shared office space
Focus	Innovation	Scalability	Collaboration	Networking
Support duration	3-4 months	12-18 months		Unlimited

Figure 39:
Technical support ecosystem assessment

Strengths

South Africa has an **active network of more than 70 support organizations,** more than 75% of which are located in Gauteng and Western Cape, where more than 80% of social enterprises are located.[407] The organizations offer a wide range of services, from capacity-building training and advisory services to networking opportunities. By partnering with these organizations, social enterprises can build skills and develop a network of key partners that can enable them to create jobs.

In South Africa, **most support organizations are sector-agnostic.**[408] They support a wide variety of sectors including financial services, manufacturing, agriculture, and ICT with funding, training, consulting, and networking opportunities[409] Since social enterprises from any sector are likely to require similar support at an early stage, this enables more growth by social enterprises and therefore more jobs and income-generating opportunities.

Barriers

Despite the huge number of technical organizations providing support to businesses, **many social enterprises are still not ready for investors.** The Global Entrepreneurship Monitor noted that SMEs, including social enterprises, often lack updated financial records, a key requirement for any sort of investment.[410] This points to a gap in available support that could hinder social enterprises' ability to access finance, scale, and create jobs in South Africa.

Since most support organizations are sector-agnostic, there may be a **lack of specialized support** for social enterprises in more technically specialized sectors, such as renewable energy and ICT. This could hinder the growth of social enterprises in these sectors.

SOUTH AFRICA

Enabling environment

South Africa has a relatively friendly business operating environment for SMEs. Existing policies that support social enterprises include tax exemptions on grants and donations for social enterprises registered as public benefit organizations. There are incentives for domestic and foreign investors and a social enterprise industry body. South Africa was 84 out of 190 in the Ease of Doing Business index in 2020, making it the easiest place to do business in Southern Africa.[411] However, frequent power shortages and lack of a body that lobbies on behalf of social enterprises threaten social enterprise growth and job creation.

Business policy

The government of South Africa revised its procurement regulations in 2019 to **increase the share of procurement** awarded to micro-, small-, and medium-sized enterprises, including social enterprises. Specifically, tenders over USD $1.8 million are awarded to businesses that subcontract at least 30% to SMEs.[412] This will allow social enterprises to sell to the government, thereby allowing them to grow and create more jobs.

South Africa has **strict labor laws,** which are designed to protect workers' rights, but which can restrict businesses' growth. The laws make it hard to lay off workers if a business can no longer afford to keep them or if they are found to be unproductive.[413] Labor-intensive social enterprises, such as those in the manufacturing sector, may face high labor costs as a result, which hinders their growth and ability to create more direct jobs. The Skills Development Act (SDA) added a levy to fund the national skills development initiative, further increasing labor costs.[414]

Business infrastructure

South Africa has **no minimum capital requirements** or prescribed minimum investment to form a company in South Africa.[415] This encourages entrepreneurs to register new businesses and supports formal employment by social enterprises.

Frequent power shortages in South Africa can disrupt operations.[416] Eskom, the state-owned power company, generates almost all of the country's electricity and faces large financial losses. Its inability to meet demand is expected to continue, keeping South Africa's economy below its potential. This will especially limit social enterprises that rely heavily on electricity, such as those in the manufacturing sector and hospitality.

Tax policy

The South African government has supportive tax policies for social enterprises. Social enterprises registered as public benefit organizations enjoy **tax exemptions** on grants and donations for as long as they are in operation.[417] This can increases retained earnings, allowing social enterprises to scale their operations.

Despite these policies to support social enterprise, **businesses still spend around 200 hours** on average filing taxes each year. This reduces the resources available for social enterprises to focus on their operations.

Industry body

The **African Social Entrepreneurs Networks (ASEN)** is a network of more than 3,800 social entrepreneurs.[418] The networking body, rare among Sub-Saharan African countries, provides social enterprises with business training and networking opportunities. It also provides a platform for social enterprises to find mentors, other social innovators, new business partners, and potential investors.

However, **ASEN does not lobby the government** on behalf of social enterprises or advocate for social enterprise-enabling policies.[419] Social enterprises would still benefit from a wider range of enabling policies that take into consideration their social-impact and profit-seeking dual mandate.

South Africa

Population in 2020:	59.3 million
GDP in 2019:	USD $356.1 billion
Number of SMEs 2020:	2,182,283
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)

IV.

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these workers often remain trapped in poverty. Link
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V. Appendix

EUROPE

	Austria	Belgium	Bulgaria	Croatia	Cyprus	Czech Republic	Den-mark	Estonia	Finland	France	Germa-ny	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 Enterpri-ses	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	Lithua-nia	Luxem-bourg	Malta	Nether-lands	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 Enter-prises	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%

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II Pioneers Post - British Council (2019): Vietnam's vibrant social enterprise sector has more to give.
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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%

Imprint

AUTHORS OF THIS STUDY

Open Capital Advidors, Kenya
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Emily Barran
Millie Maina
Martin Slawek
Irene Hu
Lisa Kuhunya-Maina
Veronica Omondi
Rodney Carew

Intellecap/Aavishkaar Group, Kenya
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Mercy Mangeni
Vivekanandhan T
Mukund Prasad
Christine Gachui
Karnika Yadav

Studio Nima
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Dr. Aline Laucke
Leonhard Nima

Project Management
Carola Schwank
Development Cooperation
Siemens Stiftung

About Siemens Stiftung

As a non-profit foundation, Siemens Stiftung promotes sustainable social development, which is crucially dependent on access to basic services, high-quality education, and an understanding of culture. To this effect, the foundation's project work supports people in taking the initiative to responsibly address current challenges. Together with partners, Siemens Stiftung develops and implements solutions and programs to support this effort, with technological and social innovation playing a central role. The actions of Siemens Stiftung are impact-oriented and conducted in a transparent manner. The foundation's empowering people. Network connects inventors and entrepreneurs who have developed simple technical solutions, and helps to expand their social impact in developing regions. By initiating new forms of collaboration and technology transfer, it supports its members on their way to scale, replicate and expand.
www.siemens-stiftung.org

Liable for the content
Siemens Stiftung
Rolf Huber, Managing Director
Kaiserstraße 16
80801 Munich
Phone: +49 89 / 54 04 87-0
info@siemens-stiftung.org
www.siemens-stiftung.org

Editing
Dr. Aline Laucke, Studio Nima
Leonhard Nima, Studio Nima
Carola Schwank, Siemens Stiftung

Design
hesh.design
Goebenstraße 19
65195 Wiesbaden
Timm Fleckenstein
Melina Schmidt
Daniel Herbert

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Siemens Stiftung
Kaiserstraße 16
80801 Munich
Germany
Info@siemens-stiftung.org
www.siemens-stiftung.org

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Social Enterprises as Job Creators in Africa

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

STUDY – PART III

Case Studies

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Supported by
Invest for Jobs
Opportunities for Growth in Africa

Implemented by
giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
KFW

Deep Dive: Five Social Enterprise Case Studies

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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Main Authors / Editing Partners

Emily Barran (Open Capital)
Dr. Aline Laucke (Studio Nima)
Leonhard Nima (Studio Nima)
Mukund Prasad (Intellecap Advisory Services)
Carola Schwank (Siemens Stiftung)

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Content:

I. Introduction

With social business models that are designed around impact creation and financial sustainability, social enterprises have been hailed as being particularly durable organizations. As such, they carry the potential of being providers of decent employment opportunities in areas that are often neglected by traditional commercial market players. However, knowledge about the actual job creation potential of social enterprises in Africa – and elsewhere in the world – remains very fragmented.

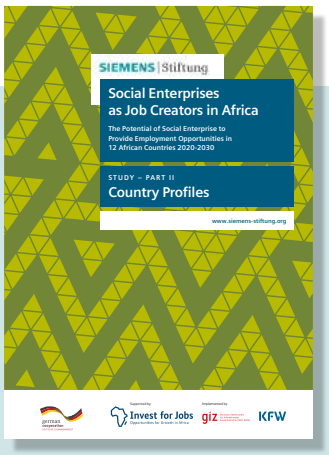
Commissioned by the Gesellschaft für Internationale Zusammenarbeit (GIZ), Siemens Stiftung has approached the task of identifying job creating as well as job inhibiting factors for social enterprises working in different country contexts. Overall, the results were used to derive specific recommendations 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.

This document features elaborated case studies of five social enterprises: MeshPower (Rwanda), Sesi Technologies (Ghana), Tebita Ambulance Prehospital Emergency Medical Services (Ethiopia), TakaTaka Solutions (Kenya) and WASHKing (Ghana). Together, the case studies belong to the database of the study "Social Enterprises as Job Creators in Africa", which has been published as a trilogy:

PART I

Main Report

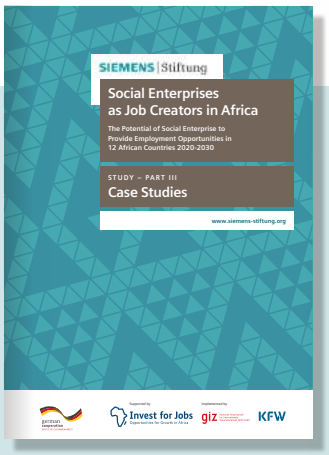
A main comprehensive document that contains the overall findings of the study about the job creation potential of social enterprises in Africa. This also includes the specific recommendations, as well as detailed elaborations about the approach and methodology that has been applied to conduct the study.



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.

We hope the case studies can inform players who seek detailed information about social enterprises, such as analysts, researchers, potential investors and local organizations or other stakeholders whose mission is related to the creation of decent jobs in Africa. For an embedded perspective on the case studies as part of the larger study, please refer to the main document (Part I).

II. Methodology and 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. 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, including project planning and selection of social enterprise case studies (Phase I); the development of qualitative briefing documents including growth paths (Phase II); and the development of growth and job creation support models for social enterprises (Phase III). Based on this, the specific growth journeys and the potential of social enterprises to create more and better jobs could be analyzed in depth.

More detailed information about the methodology of the case study research can be found in the main document of this study (Part I).

The case studies analyze the growth and job creation potential of five social enterprises. Factors that promote and those that inhibit job creation are put forth.

Selection of Social Enterprise Case Studies

As described in in Chapter III of the Main Report, 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, but simultaneously enabled the researchers to account for the specific characteristics of social enterprises as well as the differentiated contexts in which they operate.

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 is a solid waste management enterprise that seeks to create value out of waste generated by households and commercial establishments. TakaTaka, through its waste management operation, aids reduction of environment pollution and aids in creating a circular economy. TakaTaka has created decent job opportunities for over 250 employees, many of them fall under the low skilled category.
4.	**Tebita Ambulance**	**Ethiopia**	Tebita Ambulance 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 Ambulance 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

III.

Case Studies

CASE STUDY 01

meshpower rwanda

MeshPower: Affordable Off-Grid Solar Electricity (Rwanda)

Analysis of MeshPower's business model

Company ownership and history

MeshPower is a renewable energy company that was founded in 2012 at the Imperial College, London and began its operations in Rwanda in 2014. It provides electricity as a service to rural households with the aim of connecting communities through clean energy. MeshPower does so through building and operating solar powered mini grid systems that provide electricity through AC/DC systems. It earns revenues through the sale of electricity, appliance financing, and internet access. MeshPower also provides internet connectivity through Wi-Fi hotspots and provides asset-financing services to its customers. Currently, MeshPower operates about 50 mini grid stations, scaled down from its initial 70 stations. The downsize was in response to a change in Government of Rwanda's rural electrification strategy. As some of the sites MeshPower operated in were featured in national grid coverage plans, those grids had to be closed down.

Value proposition

MeshPower has a competitive advantage among other players because of its continuous innovation and customer-centric model. It is one of the most successful companies in Rwanda that has developed solar DC mini grids, with connection fees much lower, in comparison, to the national grid. This allows MeshPower to offer competitive prices to its customers in a tiered pricing manner, depending on the customer's payment capacity. Customers can therefore select the package they prefer depending on their income levels. MeshPower has also developed AC and hybrid electricity systems that are smart metered, which allows customers to pay on a pay-as-you-go basis. Furthermore, MeshPower's expansion into value-added services, such as internet provision and appliance financing, give it an edge in the market.

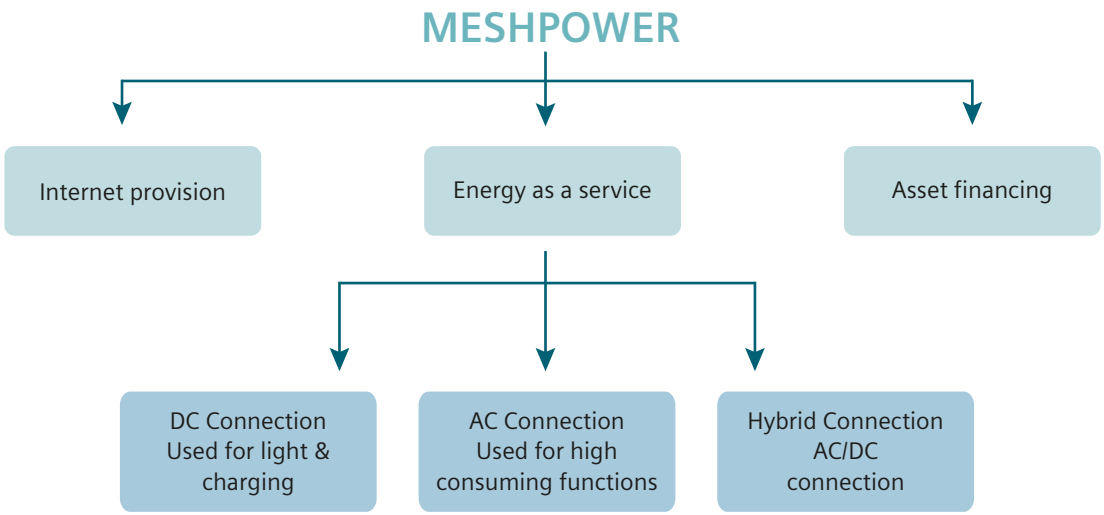


Figure 49:
Summary of MeshPower's service offering

Services offered

- **Energy as a service** is the main service provided by MeshPower. The enterprise provides electricity through a Direct Current (DC) connection, Alternate Current (AC) connection, or a hybrid connection. The DC connections provide power to a specific set of ports per household and the daily charges are calculated on a port basis. AC connections are metered and the customers pay based on actual usage on a pay-as-you-go model. Power line communications have been added to the distribution lines of the DC mini grids. This enables MeshPower to meter and control individual customers in a cost-effective way. The DC connections can also be integrated with 220V AC connections, creating a hybrid AC/DC grid. On such hybrid grids, AC connections power commercial activities and productive loads, while the DC connections are used for low electricity consumption needs such as powering bulbs. While adding AC increases the cost to the consumer, it enables the operation of higher wattage productive loads that can be used for economic activities such as sewing, shaving, irrigation, etc. Pricing and payment plans for electricity are as follows:
  - For DC connected customers: There is a fixed price per day depending on the package subscribed. For instance, a typical DC bundle provides six hours of high brightness light, unlimited low brightness light and USB charging for several phones.
  - For AC connected customers: Pricing is based on the electricity (kW/hr) consumed. The rate is dependent on the time of day and the plan subscribed to by the customer. Daytime usage is encouraged through provision of a cheaper rate for consumption due to the availability of solar energy. Different customer plans have limits on maximum power that can be consumed during the day and the maximum daily rates applicable. This helps the company to manage the peak load factor of the individual grids.
- **Internet connection:** MeshPower also provides low-cost internet connectivity through its distribution lines. This is a pilot project that is being financed through support from Microsoft. So far, sites that have been selected for testing include Gitaraga village in Bugesera district, which has a relatively larger number of high-income residents. The internet is provided at a competitive price in comparison to other service providers.
- **Asset financing:** With support from DOEN Foundation, MeshPower recently started an asset financing service for customers based on "rent-to-own" lease plans. Through this service, MeshPower provides appliances to customers with payment terms ranging from three to 12 months and collects payments on a regular basis for each appliance sold. The company has started its pilot with the sale and distribution of TVs.
- **Standalone solar system:** In 2018, MeshPower added a standalone solar system to its portfolio of service offerings. The company has completed custom installations at Lake Bunyoni, Uganda, Kigeme, Nyabiheke, and Mahama refugee camps in Rwanda, Buhanga in Rwanda, as well as two installations in the Northern Province. Standalone solar systems are a cost-effective way for development programs to electrify facilities in off-grid areas, adding value to beneficiaries and improving the quality of services in those areas. MeshPower standalone systems typically range from 3kW to 5kW in size, but can also be custom designed to customer needs after a site visit and load assessment.

Customer segments

MeshPower serves both B2C and B2B clients by providing electricity for lighting, charging, and for productive uses as summarized in the table below.

Target customer segmenst	Description
B2C customers	These are clients who are not covered by the national electrification grid and have low electricity consumption requirements.
	Some of these clients are small businesses that use electricity for productive uses. They include SMEs such as tailor shops and farmers, among others.
B2B customers	These include developmental partners and private industries who commission Meshpower for one-off installation projects dubbed 'single payer projects'. These clients are the largest revenue driver for Meshpower

Figure 50:
Customer segments of MeshPower

Other operational processes

- **Site Identification:** MeshPower conducts a feasibility study and identifies area/villages that are not connected by the national electrification grid, through data provided by the Rwanda Energy Group (REG). Once an area is assessed to have geographical optimization, community mobilization and education are conducted and sign-ups done. MeshPower requires a minimum of 70 interested households before they can roll out their micro grid establishment process.
- **Customer service:** MeshPower has two layers of customer service – the first level of service is provided by local agents, who are trained to be technicians and respond to primary issues faced by the customer. Furthermore, MeshPower has also established a call center that address customer queries and manages customer relationships. It has also established remote management systems that allow significant trouble-shooting to be done remotely.

–

MeshPower's job creation impact

Job creation and human capital

MeshPower currently employs 52 permanent and contractual employees. These employees are spread out over management, local technician, and sales agent positions. Twelve employees are staffed in the main office, 11 are local technicians, and about 30 are sales agents. The role of the local technicians is to oversee the management of each site, while the sales agents assist customers with their daily top-ups to pay for energy consumption.

MeshPower's ability to directly create more job opportunities will be dependent on its ability to increase the number of mini grids it operates and manages. This will be dependent on the availability of patient capital. The graph below summarizes the total number of direct jobs that is linked to the growth of MeshPower.

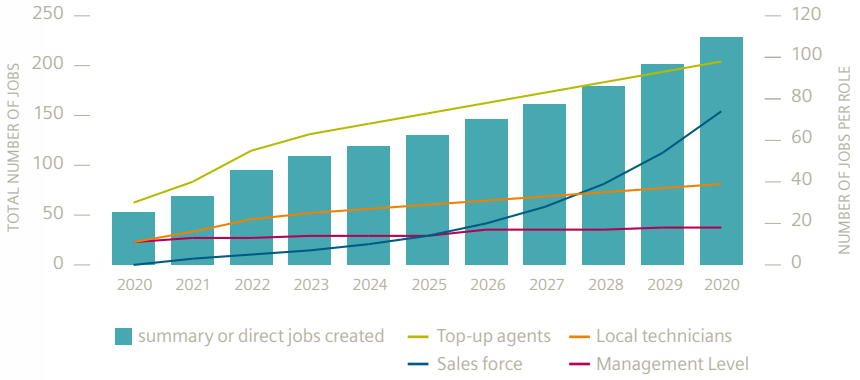


Figure 51:
Summary of projected number of direct jobs created by MeshPower

A key gap in MeshPower is the lack of a dedicated marketing team that can generate awareness and push sales. Pre-COVID, MeshPower was looking to hire a sales and marketing manager, which was put on hold at the onset of the pandemic. Further, MeshPower is aware of the need to create a sales team especially on the asset financing side. This sales team will need to have differentiated capabilities and would be required to push products into the market.

- **Challenges in recruitment and retention:** From a recruitment perspective, MeshPower faces challenges arising from the limited pool of qualified talent available in Rwanda and the demand for similar resources from bigger international players.
  - Competition for talent with international organizations: Quality talent available in the market is very limited especially at the management level. Furthermore, this limited pool is being tapped into by international organizations that offer lucrative salaries compared to what MeshPower can offer.
  - Accessibility to quality talent especially with technical experience is limited: Due to the education system in Rwanda, which encourages theoretical knowledge, most graduates lack the practical technical experience required for a role at MeshPower. As such, MeshPower is forced to hire based on basic education background and provide the necessary skill training on the ground.

From a retention perspective, MeshPower has lost talent due to closure of sites, competition, or due to staff members seeking to pursue higher education.

- Employee compensation and incentive structure: MeshPower's compensation package is competitive when compared to other solar companies. MeshPower fixes salaries of different levels based on discussions with HR recruiting firms to ensure that salaries offered are benchmarked to market rates. The composition of the salary is dependent on roles and responsibilities. MeshPower offers both monetary and non-monetary incentives including bonuses, travel allowances, workman's allowances, health insurance, pensions, and paid leave days.

Creation of indirect employment opportunities

Access to reliable, cost effective electricity is a key driver of economic growth and subsequently employment creation. MeshPower developed the solar-based hybrid AC/DC system, which can power higher productive commercial loads and thus has the potential to enhance economic growth and increase employment opportunities. Examples of productive uses can be in workshops for welding and carpentry. In the food sector, electricity can be used for refrigeration, drying of produce, and running commercial kitchens among others.

MeshPower's financial model and path to sustainability

Revenue projections

MeshPower's revenue streams comprises four components: a) Revenue from energy sales; b) Revenue from setting up a "single payer system" and service revenues; c) Revenue from appliance sale & financing; and d) Revenue from technical services, feasibility studies, and technical surveys. Among these, the sale of energy was the mainstay of MeshPower during the first two years. However, in 2018, MeshPower set up its first single payer AC system and, in 2019, revenue from this line of business had become the largest contributor to the company's annual revenue. While the value of each "single payer system" varies depending upon the capacity, on an average each "single payer system" can contribute about USD $50,000 revenue. Other revenues have also historically come from technical service assignments and sales of appliances. MeshPower believes that the sale of appliances could become a significant revenue stream in the future.

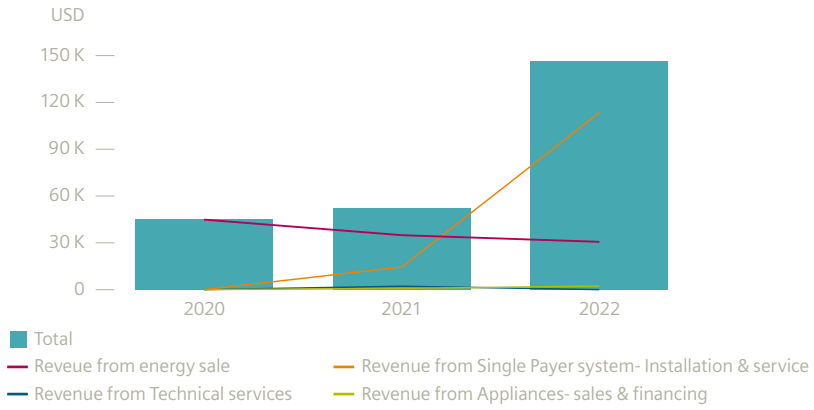


Figure 52:
Summary of historical revenue streams of MeshPower (USD)

In the future, MeshPower intends to focus more on installing AC mini grids. This shift in focus is in line with the national electrification plan of Rwanda, wherein the government is encouraging off-grid operators to install AC mini grids. It also continues to bank strongly on a "single payer system" to boost its future revenues.

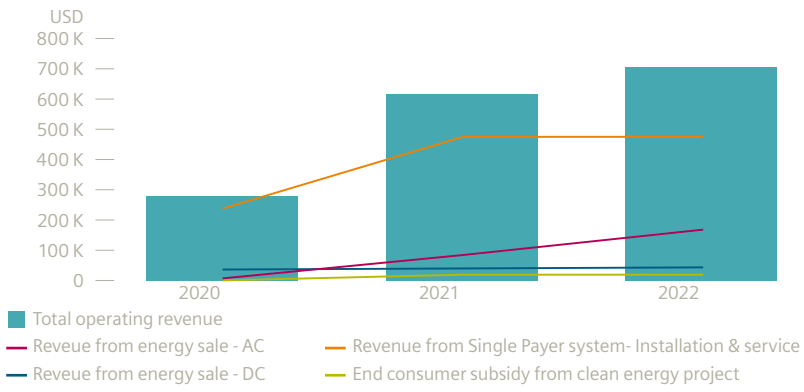


Figure 53:
Summary of future revenue streams of MeshPower (USD, 000s)

MeshPower's expenses and gross margins

Over the past three years, direct costs as a proportion of revenue have decreased and are expected to decrease further in the upcoming three years. The direct cost intensity for DC mini grids, AC mini grids, and single payer systems vary widely from one another. The individual customer operational direct cost for a DC micro grid covering 40 customers would be similar to the individual customer operational direct cost for AC microgrid covering 200 customers. However, margins are significantly better in the case of a single payer system.

The gross margins of MeshPower have improved substantially since it started executing a single payer system. On the other hand, the margins from DC and AC mini grids are dependent on capacity utilization. Additionally, since AC mini grids offer pay-as-you-use metered services, the margins for AC mini grids also depend on the consumption level of individual customers.

EBITDA margins took a hit in 2018 on account of a substantial increase in overhead. This was the period when MeshPower invested heavily in improving operational capacity in preparation for a significant scale-up effort. However, this scale up was not possible as the government off-grid plans changed. At the end of 2018, it was decided that a new operational model was necessary – one whose fortunes were not so dependent on government-controlled timelines. This resulted in a focus on single payer systems and a consequential increase in revenues. MeshPower is projecting EBIDTA margins to reach around 27-28% during the next three years.

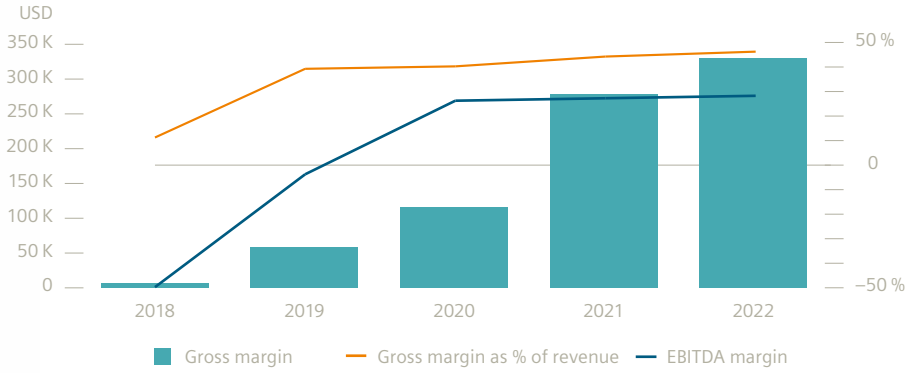


Figure 54:
Gross margin (USD) trends of MeshPower - past & projected

Capital Structure

MeshPower is able to make positive gross margins and the company is able to make surplus from its operations. Nevertheless, MeshPower relies on grant support for meeting capital expenditure costs, associated with mini-grid installations. However, the degree of grant support required varies from site to site and between technologies. MeshPower has a capital requirement of about USD $3-5 million in the next three years. The company intends to raise this capital with a mix of equity, grants and government subsidies, and debt.

Effects of COVID-19

The COVID-19 crisis has impacted MeshPower in several ways including:

- **Revenue reduction:** Once COVID-19 was declared as a pandemic, the national electricity grid reduced their pricing and, in response, MeshPower reduced its pricing by about 50% so as to remain competitive in pricing. Furthermore, most SMEs that MeshPower services had closed down their businesses due to the pandemic and thus business was slow from their end. As a strategy to retain its customers, MeshPower reduced its pricing to accommodate such customers. This adversely affected Mesh-Power's revenues.
- **Inconsistent cash flow profile:** As a result of the lockdown and low business volumes, some SMEs were not able to sustain their electricity payments. This had a trickledown effect on the cash flows of MeshPower.
- **Increased turnaround time for resolving customer issues:** Due to the lockdown and subsequent travel restrictions, field movement of technicians had been restricted. Although MeshPower was classified as an essential service provider, technicians were not able to move around as frequently as before. All of this resulted in increased turnaround time for addressing customer issues.
- **Delay in delivery and increase in cost:** MeshPower imports many of its raw materials from China. As the country went under lockdown, MeshPower's orders were delayed by two months. Simultaneously, shipping costs had also doubled; to cope up with these challenges, MeshPower diverted its focus to procure materials from within Africa as much as possible.

Opportunities and Barriers for growth and employment creation

MeshPower's growth opportunities and factors that will drive employment creation

- **Tapping into productive consumer demand:** To grow, MeshPower must focus on providing electricity to service providers who add value in different value chains within the village economy. This is because the growth in household consumption of electricity is minimal, which has previously led to below-optimal utilization of mini grid capacity that affects the unit viability. As such, MeshPower has set up AC mini grids that can power income-generating equipment at the SME level like sewing machines, coffee washing stations, welding, flour milling machines, etc. Opportunity for job creation: By providing electricity for productive uses, MeshPower contributes to the reduction of unemployment rates in Rwanda by indirectly increasing job opportunities at the SME level. MeshPower's ability to stimulate the local economy, subsequently leads to job creation.
- **Reduction in hardware cost and capital expenditures:** MeshPower estimates its current capital expenditure for AC mini grids to be at about USD $500-700 per connection, whereas the hybrid grids are at about USD $200-250 per connection. The major component of costs is the hardware cost of solar PV modules, batteries and inverters, and associated logistical costs. Bulk purchases and the clustered approach of setting up mini grids can help MeshPower reduce costs and optimize utilization of resources. However, both financing as well as regulatory issues will have to be resolved to ensure that such benefits amass for MeshPower.
- **Low cost capital:** The cost of commercial debt is as high as 16.5% in Rwanda and such high-cost capital does not support the efforts of MeshPower to scale. Hence, MeshPower is in need of low-cost capital to finance its growth plan. MeshPower has a capital requirement of about USD $3-5 million in the next three years and the company intends to raise this capital from a blend of equity, grants and government subsidies, and debt.

Constraints to be alleviated to support growth

- **Regulatory uncertainty:** MeshPower installs mini grids in areas that have been designated specifically for private players by the Rwanda Energy Group (REG). These are areas where the national electrification grid has no coverage, and will not for the next several years. However, there is some uncertainty about the areas in which the national electrification grid will expand to in the coming years and this uncertainty poses a risk for growth of MeshPower. For instance, MeshPower previously had 70 mini grids, however the national electrification grid expanded into some of the mini grid sites of MeshPower and, because of this, the company had to scale down to 50 mini grids. This regulatory overhang will pose a risk especially when MeshPower considers scaling up the number of mini grids in Rwanda.
- **Ability and willingness to pay:** The willingness and ability to pay by the end consumer is extremely low for the target customers of MeshPower. MeshPower has continually lowered its price point to identify the right pricing point. So far, MeshPower has identified that with a price point of USD $5 per month, per household, a mini grid system can be become sustainable in 18 months. However, customers currently pay less than 50% of this identified price per month.
- **Access to patient capital for upfront capital expenditure:** Before a mini grid is set up, MeshPower requires available financing to take care of the capital expenditures needed. Access to patient capital to help set up the grids can enable MeshPower to increase electricity access.
- **Management bandwidth and capacity:** MeshPower has diversified its services in order to sustain the company in case the mini grids were unable to payback initial investments. However, this has posed a challenge where the company has stretched out its bandwidth in terms of employee capacity, especially at the senior management level. Furthermore, some streams require specialized skillsets which the company may not necessarily have. For instance, the asset financing side of the business requires expertise in credit risk analysis, which the company does not currently have. This challenge poses a risk in terms of growth, where MeshPower will be running too many business lines with stretched out capacity and bandwidth.

> *» AC grids require significantly-high capital expenses and, thus, the right regulation to safeguard these investments is needed. When the national grid moves into an area that has AC connection before five years lapse, it becomes catastrophic for us because there is no chance for us to make a return on the investment made. «*
>
> **Richard Mori, CEO MeshPower**

> *» Even at the current price point we off er for our customers, some of them are still unable to pay. This is why we have to diversify our product off erings to remain sustainable. «*
>
> **Richard Mori, CEO MeshPower**

SWOT analysis of MeshPower

Based on the analysis of the business model, the company's strengths, weaknesses, opportunities, and threats that influence job creation opportunities can be summarized below.

Strengths	Weaknesses
• MeshPower's technological innovation has enabled it to provide electricity to individual households cheaper than competitors. • MeshPower has a strong management team with an experienced board of directors. • MeshPower has deployed local teams, who understand the terrain of the Rwanda to become local technicians. • MeshPower provides competitive remuneration and both monetary and non-monetary incentives to boost staff retention. • MeshPower conducts regular training for its local technicians to ensure they are kept abreast of changing market requirements.	• MeshPower lacks a dedicated marketing team which could push sales for the company, affecting the company's growth and thus its potential to create jobs. • MeshPower hires low-skilled technicians, which requires large investments in training. • MeshPower is yet to achieve optimum staff utilization of local technicians due to the uneven geographical spread of the grids. • At the management level, the bandwidth is stretched too thin due to the many service offerings being piloted and, in some cases, unavailability of specialized skillsets.
Opportunities	**Threats**
For MeshPower to create more jobs it needs to increase the number of mini grids it operates. Opportunities that would facilitate the increase in the number of grids include: • The Government of Rwanda has demarcated 48% of the coverage for off-grid operators. And has received support from the World Bank to support off-grid technologies. • The government has introduced fiscal incentives and non-fiscal incentives to encourage private sector participation. • The government has allowed 50% investment allowance (apart from depreciation) and free repartition of profits to encourage private investment in to off-grid companies.	Any threat that obstructs the setting up of mini grids impedes MeshPower's potential to subsequently grow and create job opportunities. These threats include: • Regulatory uncertainty about areas where the national electrification grid will expand into poses a threat to MeshPower's growth and expansion, and thereby its ability to create jobs. • The average household electricity consumption is low, hence the growth in average revenue per customer is expected to be low. This will, thus, affect the growth rate of MeshPower and its ability to increase employment opportunities.

Figure 55: SWOT analysis of MeshPower's busines model

MeshPower business growth model and path to sustainability

MeshPower is a solar micro grid company founded in 2012. Since inception, the company has been providing low-cost DC electricity for residential consumption with a peak of close to 80 DC micro grids (2018). However, the recent rural electrification strategy of the Rwandan government has brought many of these areas under national grid expansion. The company has reduced dependence on DC micro grids and has pivoted to a model that offers AC/hybrid micro grids to better compete on both capacity and costs.

	SHORT TERM	MEDIUM TERM	LONG TERM
	Manage transition towards AC/hybrid micro grid regime	**Achieve deeper penetration within Rwanda and enhance utilization levels**	**Expand to potential geographies outside Rwanda**
MeshPower's business growth model	Immediate focus is to navigate through the new regulatory framework. • Increase focus on securing AC/hybrid micro grid projects • Experiment different value addition machineries as key anchor loads for AC grids • Special focus on attaining turn key contracts with "single payers"	In the medium term, enhance market penetration, increase capacity utilization and reduce costs to move towards sustainability. • Scale up number of AC/hybrid micro grids • Drive up utilization of existing grids by supporting more productive loads • Increase household consumption by providing appliances • Reduce cost of installation through innovation, scale & bulk purchase	Scale up of mini grid installation & operations outside Rwanda • Identify opportunities for executing "single payer system" projects in East Africa • Leverage parent companies R&D strength to reduce cost of installation • Leverage AC smart meter technology to provide electricity at affordable price to new consumers • Improve systems for better operational & financial control
Inputs that will aid business growth	• Philanthropic capital to fund AC/hybrid micro grid installation • Philanthropic capital to experiment different anchor load machineries • Government policy stability regulations and subsidies for mini/micro grid operation	• Patient capital to fund business growth • Programs to support village level micro-entrepreneurs to generate anchor load activities • Connections to sourcing channels	• Enhanced management capacity • Augmented partnerships: DFI & NGO linkages to facilitate expansion • Legal protection for Intellectual property rights • HR advisory support
Job creation outcomes	• Each new AC grid installed generates opportunity at both a sales (recharges) level as well at a technical level • Indirect employment is also generated by supporting villages to set up new facilities to add value locally	• Contractual & casual employment for micro grid installation • Indirect job creation through incremental village production • Creation of greater managerial and techno-managerial jobs	• In addition to creation of local jobs in new countries, MeshPower Rwanda will also see an augmentation of personnel who can help train and transfer the business model to target countries • More operation and control jobs will also be created
Social & Environmental impact outcomes	• Improvement in access to low cost and clean electricity • Increase in village GDP as result of productive usage of electricity		

Figure 56:
MeshPower's growth model

Short-, mid-, and long-term growth

MeshPower is currently in the process of realigning its business to be in line with the new electrification strategy of the Rwandan government. Owing to the affordability of DC electricity, the company still foresees scope for DC micro grids, however the future growth of MeshPower will largely be depended on AC/hybrid micro grids.

- **Short-term growth:** In the immediate term, MeshPower will focus on navigating the new policy environment with an objective to sustain its current DC operations. For the purpose of financial sustainability, it is imperative that MeshPower operates micro grids for a certain minimum period. Apart from sustaining DC micro grid operations, MeshPower will also focus on increasing AC/hybrid micro grid installations through its "single payer system" where development/philanthropic agencies support electrification projects for provision of electricity supply.
- **Mid-term growth:** In the mid-term, MeshPower will focus both on increasing the number of installations as well as enhancing the capacity utilization of existing setups. The increase in the number of AC/hybrid micro grid operations can help MeshPower achieve economies of scale, reduce cost of installation and, thus, bring down the recovery period of capital investment in micro grids. This would be critical for MeshPower to attract commercial capital.
- **Long-term growth:** In the long-term, MeshPower is likely to focus on expanding its geographical operations beyond Rwanda. The company will continue to leverage the technology development capabilities of its parent company, Xpower, and take them to end consumers through its field operations.

Inputs that will aid business growth:

- **Philanthropic capital:** MeshPower has depended on philanthropic capital for financing the installation cost of micro grids and operational costs are recovered by MeshPower from its customers. The exception is the single payer system wherein the project cost is provided by the client and MeshPower is responsible only for grid setup. In the short- to mid-term, MeshPower will be dependent on a) development agencies' projects for installation of AC/hybrid micro grids and b) grant support for supporting village entrepreneurs to set up different productive machineries for potential anchor loads.
- **Debt capital:** Since the company uses a prepaid service model, its cash flows are sufficient to meet its working capital requirement until now. Nevertheless, as the company scales up the AC microgrid model with the provision of an AC smart meter, it may want to test different payment models and, hence, availability of affordable debt capital to finance its working capital needs at this juncture will be important.
- **Government policy stability:** Until 2017-18, MeshPower installation didn't come under the purview of government licensing, hence, the installation process was seamless with the support of local communities. However, Rwanda's recent rural electrification strategy has made government licensing mandatory for micro grid operations. This new regime has brought in uncertainties regarding procedures, duration, as well as on the security of investments in micro grids. With that said, government policy regulation support will enormously help in bringing forward a business-friendly environment.
- **Human advisory support:** MeshPower had previously recruited high cost executives to head operations, finance, and technology, focused on DC grid operations. However, these recruitments didn't materialize into business growth and the executives left the organization within a short span. Similarly, at the lower rung of the organization, most technicians are high school graduates whom MeshPower trains. This training and erosion of trained people wanting to pursue college graduation enhances the overall cost of operations. To address these issues, MeshPower will require HR advisory support to devise strategies on organization structure design, talent acquisition, and talent retention.

Job creation outcomes

Job creation outcomes of MeshPower's business growth are both in the direct employment domain as well as indirect income generation; the following points are the job creation outcomes for MeshPower.

- **Installation and operations of micro grids:** On the installation front, MeshPower manages its workload by deploying its technician team from their Kigali office and, depending on specific field requirements, the company may hire technicians and casual workers on a contractual/daily wage basis. As the number of installation projects increase, the chance of engaging contractual and casual workers also increase. On the micro grid operations front, each micro grid ideally generates full-time employment for one local technician who attends to customer service requests. There is also an employment generation opportunity for a sales/commission agent who provides mobile money pre-paid recharge services.
- **Indirect income generation opportunities:** As electricity is a key enabler for growth of economically-productive activities, there is a tremendous scope for creating indirect income generation activities at each micro grid site. As MeshPower starts focusing on AC/hybrid micro grids, the success of each micro grid relies upon the establishment of anchor loads- major electricity consumers. These anchor loads are key potential machineries pertaining to different rural value chain activities for agriculture and rural services.
- **Sales and marketing:** Single payer systems have been a major contributor to MeshPower's revenues as well as its profitability. The gross margins of this business are very high and, hence, MeshPower in the immediate to mid-term has plans to establish a dedicated sales team to pursue opportunities in the single payer system space.

CASE STUDY 02

Sesi Technologies: Increasing Farmers' Income by Reducing Post-Harvest Losses (Ghana)

Analysis of Sesi Technologies' business model

Company ownership & history

Founded in 2018, Sesi Technologies is a budding social enterprise based out of the Kumasi region in Ghana. Isaac Sesi founded the company with a vision to tackle poverty and hunger by providing farmers and other stakeholders with affordable technology to increase yield and reduce post-harvest losses. Sesi Technologies currently manufactures and sells "GrainMate" a meter that measures the moisture content in grains.

Sesi Technologies' product offering

– **GrainMate:** GrainMate is the product of three years of research and development involving academia and industry experts. Institutions in Ghana (KNUST) and the United States (Kansas State University), and experts from the United States Department of Agriculture contributed to the product design. GrainMate has been calibrated to measure moisture content in many popular grains and legumes grown in Africa including corn, soybean, wheat, sorghum, rice, and chickpea. Furthermore, the product can also be calibrated to support up to 32 different commodities. The sub-assemblies for GrainMate manufacturing are sourced from China, the US, and Ghana. Sesi Technologies can currently produce about 100 units of GrainMate in a month. The company currently has eight days for assembling sub-components in a month to align production capacity with demand requirements. Sesi builds up an inventory of sub-components on each production day rather than building finished products. The sub-components are assembled into finished products on an as-needed basis. This also optimizes inventory storage requirements for Sesi Technologies. The current version of GrainMate (GM 101) is priced at GHS 500 (Ghanaian cedi), which is four times cheaper than other alternatives on the market, ensuring that more farmers can afford it. GM 102, which is currently under development, is intended to be a more advanced version of the product and in particular will support remote operation.

Figure 57: GrainMate

– **Other Products & Services:** Apart from GrainMate, Sesi Technologies is also a reseller of Purdue Improved Crop Storage (PICS) bags and Zero Fly Hermetic Storage bags (ZFHS). These products complement GrainMate and assist in enhancing the shelf life of the produce. The bags are priced at GHS 5/50kg bag and at GHS 9/100kg kg bag. Sesi Technologies is also in the process of developing the GrainMate mobile app and a platform helps farmers to monitor moisture data over a period of time. These services will be leveraged by Sesi Technologies to offer value added services and products to their customers.

Target customer segments

– **Grain farmers:** As per FAO[1], about 60% of all farms in Ghana are less than 1.2 hectares in size, about 25% of the total farms are in the range of 1.2 hectares to 2 hectares in size, and only 15% are above 2 hectares in size. Sesi Technologies targets farmers whose farms are greater than 1.2 hectares. Typically, Sesi Technologies' customers are grain farmers who store grains in large quantities before selling them in the market at an appropriate time. For this segment of farmers, managing the moisture content of the grain is a key contributing factor to safe storage. These farmers currently utilize traditional practices to estimate moisture content but these practices are not foolproof and aren't reliable enough.
– **Poultry farmers and poultry feed producers:** Poultry farmers store grain to be used as poultry feed. GrainMate enables these farmers to maintain the grains at recommended moisture levels, thus reducing insect infestation and aflatoxin contamination. Maintaining appropriate moisture levels also ensures that grains retain their

nutrient content thus ensuring that the feed prepared contains nutrients in the righ proportions for optimum productivity of birds and egg production. Sesi Technologies has estimated that poultry farmers having a minimum of 12,000 birds can afford to purchase the product outright.

- **Crop aggregators and food processing companies:** Aggregators purchase grain from farmers in large quantities and resell to processors. Aggregators can use GrainMate to transparently assess the quality of grains purchased from farmers and ensure compliance with moisture levels demanded by food processing companies. The moisture determination process also helps them in stock management and liquidation. This also enables better product discrimination and price discovery across the value chain.
- **Development partners:** NGOs and donor agencies who work with smallholder farmers (less than 2 hectares) purchase GrainMate to aid smallholder farmers, covered under their agriculture development programs.
- **Government agencies:** Agri extension officers employed by the government can use GrainMate to educate smallholder farmers about the role of moisture content, drying and proper storage of grains in reducing post-harvest losses.

Sesi Technologies' sales and distribution channels

The primary focus of Sesi Technologies' current outreach is to establish both the benefit of moisture testing as well as establish GrainMate's brand identity among its target customers. Over the past year, Sesi Technologies has undertaken activities that create awareness of GrainMate among potential customers, including grain farmers, poultry farmers, grain aggregators, and processors. In the absence of tangible market information about consumer needs, Sesi Technologies uses the awareness generation activity simultaneously for conducting market research. The company works with development partners like World Food Program (WFP) and the Ghana National Board for Small Scale Industries (NBSSI) to reach out to these potential clients.

The company has so far been able to reach about 50 smallholder farm-based organizations (FBOs) and poultry farmers in seven regions of the country (Northern, Upper East, Upper West, Bono, Ashanti, Volta, and Greater Accra regions). The partners usually create the opportunity for the company to meet with farmers in their networks.

Market competition

International manufacturers like John Deere, Dickey John, and Agratronix are the key players in grain moisture meter product space. However, the GrainMate grain moisture meter retail price (USD $100) is only one third of John Deere's moisture meter retail price (USD $300). One key aspect that makes overseas products expensive is the fact that the Government of Ghana levies import tariffs on foreign manufactured products.

Apart from these, Sesi Technologies also faces competition from Chinese-manufactured moisture meters. Though these moisture meters are cheaper than GrainMate, they have limited grain coverage (at the most two types of grains can be measured) that reduces their attractiveness. Furthermore, Chinese moisture meters require a separate sample collection process for measuring the moisture content and provide no after sales service.

Sesi Technologies job creation impact

Impact on job creation

The management team at Sesi Technologies is led by Isaac Sesi who is the CEO and Head of Product Development. He is assisted by the Head of Operations in managing the day-to-day operations. While the Head of Operations is a full-time employee, the Product Design Head and the Hardware and Manufacturing Head are currently contracted employees. To assist in operational activities, Sesi Technologies has two employees to manage Administration and Accounting related activities. Two hardware technicians are engaged on a contractual basis to assist in manufacturing. In summary, Sesi Technologies has four full-time employees and four contractual staff.

The entire production team is composed of employees on contractual terms, the team works for eight days in a month. The current agreement for contract staff offers them a six-month renewable contract and includes details on number of working days per week, salary, and job description. Sesi Technologies also engages Papa Kwaku, a mechanical engineer, on a part-time basis. Papa helps Sesi Technologies on the product design front.

Owing to the small team, Sesi Technologies has not put in place standardized HR processes in recruitment, HR manual for full-time and contractual staff, training, and capacity building of human resources in the company. The recruitment is still handled by the CEO, whereas HR operations are handled by the Operations Head. The company has plans to appoint an HR manager in the next three years to set up standard HR processes. Current employees were hired either based on referrals or prior work relationships with the CEO.

Job growth potential in Sesi Technologies

To achieve its future growth plans, Sesi Technologies recognizes the need to significantly build out its organizational capacity across levels and functions. Based on its business projections, Sesi Technologies estimates that there can be an addition of about 15 employees and four contractual staff by 2025. The mix of employment categories is primarily to optimize resource utilization at the given scale. Furthermore, depending upon Sesi Technologies' ability to sustain business growth, there is scope for the addition of more employees apart from the conversion of part-time and contractual roles into full-time roles.

- **Production and operations:** On the production front, Sesi Technologies has plans to hire three full time resources to support the expanded scale of operations by 2025. The organization has an immediate need for a quality control lead to put in place processes that will ensure quality assurance at a greater scale of operations. In the mid-term, Sesi Technologies plans to hire a lab technician and a production manager in the next two years. Sesi Technologies plans to scale up production capacity in the immediate future by increasing the number of production days in a week from the current two days to five days in a week. Sesi Technologies also plans to increase the number of production technicians (contractual) gradually over the coming years in line with production requirements.
- **App and platform development:** As mentioned earlier Sesi Technologies is working on an app and a platform to connect with farmers to provide other value-added services. To operationalize this plan, the company plans to set up an entirely different team of over six employees. Sesi Technologies plans to appoint a Technology Lead to lead the development process and intends to hire four software engineers plus an embedded system engineer. The company anticipates that these recruitments would be staggered and spread over the next five years.
- **Sales and marketing:** Sesi Technologies has relied heavily on direct marketing activities to create awareness among farmers and generate demand for its product. The company had employed a Sales and Marketing Head until June 2020. However, since the person left the organization, Sesi Technologies intends to find a replacement as soon as possible. Furthermore, Sesi Technologies plans to set up a complete sales team comprising of four marketing and sales executives, a customer relationship officer, and a field support officer. This new team will help Sesi Technologies to achieve its targeted unit sales in the coming years.

Financial model

Revenue projections

In 2019, Sesi Technologies sold 83 GrainMate units, of which, 73 units were sold within Ghana and 10 units were sold outside of Ghana. All of these units were sold by the organization through its direct marketing efforts and through development partners like World Food Program (WFP). Sesi Technologies has sold about 28 GrainMate units so far in 2020. The COVID-19 lockdown, ensuing travel restrictions, and social distancing norms have affected Sesi Technologies' direct marketing and awareness creation activities. Nevertheless, Sesi Technologies is confident it will sell 500 units by end of this financial year on the back of the upcoming harvest season (August to September) and the recent conclusion of a key partnership with Vestergaard.

In addition to their GrainMate product, Sesi Technologies also sells safe and pest resistant storage bags. The organization expects to sell around 500 bags in 2020 through two models:

- **Partnership driven sales model:** Sesi Technologies has been directly undertaking awareness creation activities among poultry and grain farmers through support from agriculture development projects like WFP in Ghana. The company has also been undertaking radio and social media marketing to create awareness about GrainMate. In addition to its partnership with WFP, Sesi Technologies has been onboarded as an Agtech partner by Vestergaard, a Danish humanitarian enterprise. This partnership will help Sesi Technologies increase its sales in the immediate future as Vestergaard intends to provide the moisture meter to grain aggregators and farmers in their supply chain. This partnership will help Sesi Technologies acquire new clients in Kenya and other parts of Africa.
- **Distributorship driven sales model:** Sesi Technologies has also been augmenting its distributor network in Ghana, Rwanda, and Kenya. So far, it has identified and onboarded a farm input dealer in the Bono region of Ghana and it has identified a farm input dealer in Rwanda. Both of these distributors are expected to start selling from the end of 2020. On the back of its own organic direct marketing efforts complemented by extended outreach through partners and distributors, Sesi Technologies intends to grow rapidly over the next few years. The projected revenues for GrainMate and storage bags are provided below.

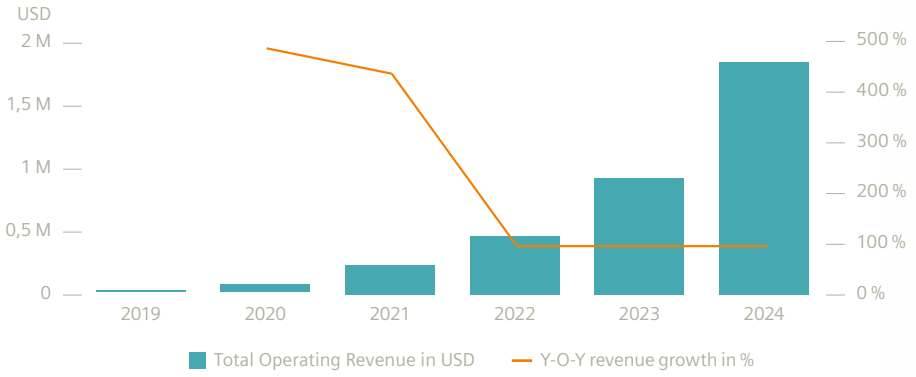


Figure 58:
Projected revenues of Sesi Technologies

Future revenue opportunities

Sesi Technologies has realized that there are significant unmet needs among its target customers both from an advisory perspective as well as from an input sourcing perspective. Sesi Technologies has developed a GrainMate companion app that enables it to stay connected with their GrainMate moisture meter clients.

Sesi Technologies intends to develop the app into a platform capable provide additional services relevant to customer needs. The beta version of the app is ready and the final app is likely to be rolled out in early 2021. The platform will provide services to farmers to manage their inventory better as well as support them in identification of buyers and selection of appropriate warehouses for safe storage of the product. The enterprise plans to charge GHS 10 (Ghanian cedis) per month as a subscription fee for access to the GrainMate platform.

	2021	2022	2023	2024
Subscription fee revenue (USD)	$24,480	$48,960	$97,920	$195,840

Figure 59:
Projected revenue from GrainMate platform subscription

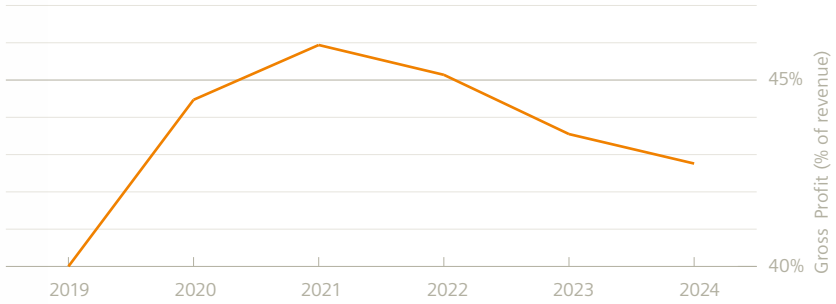


Figure 60:
Sesi Technologies gross profit trends

Gross profit margin

The gross profit margin during 2019 was 40% and the projected gross margin for the next five years level is likely to be around 40-45%. Given the intensity of import fees in overall business costs, projected gross margin levels could be impacted materially by the exchange rate of Ghanaian cedis.

Direct Cost Head	% of Selling price
Manufacturing cost	50%
Sales commission (only for sales through distributors)	10%
Logistics & Shipping cost (only for sales through distributors)	6-12%

Figure 61:
Direct costs head

Manufacturing cost includes: a) Cost of raw materials including electronic components bought from China and assembly and packaging of material sourced locally in Ghana; b) Logistical costs associated with sourcing from China; c) Import duties levied by the Government of Ghana; d) Assembling costs at Sesi Technologies premise in Kumasi, Ghana. Sales commission costs are applicable only for sales through the distributor network. The margin sharing arrangement with distributors is based on volumes of GrainMates sold per month. The commission is about 10% of the selling price.

Capital structure

Sesi Technologies has been reliant on its internal resources and grant money to fund its business. Sesi Technologies has not raised any external equity to date. The company has been able to win social enterprise competitions and grants. These funds have been a crucial source of financial support for Sesi Technologies in the early stages of its growth journey. Since 2018, Sesi Technologies has won USD $142,000 in grants through various innovation challenges and grant support programs. Sesi Technologies has deployed this amount to finance its product development, working capital, and other operational requirements.

Total capital	USD $37,573
a) Paid up equity	USD $170
b) Retained earnings*	USD $28,838
c) Loan from Directors	USD $8,565

*The major contribution towards retained earnings comes from the operational grant (non-operating income) of USD $48,479 received during 2019

Figure 62:
Sesi Technologies capital structure

Impact of the COVID-19 pandemic

The COVID-19 pandemic has impacted Sesi Technologies in all three critical aspects of its operations, including manufacturing, marketing and customer outreach, and cost of raw materials.

Ghana had implemented a partial lockdown restricting physical movement with exceptions only for essential services. Sesi Technologies' manufacturing activities did not fall under essential services and, as a result, the production activities of Sesi Technologies came to a halt. To mitigate the impact, the team tried to shift machineries to their home to undertake the sub-assembly and assembly processes. Nevertheless, this stop gap arrangement had drawbacks in terms of reduction in productivity.

A critical component of Sesi Technologies' demand generation engine is the direct marketing and awareness creation activities it undertakes. Because of the lockdown, the team couldn't travel to field locations to meet poultry and grain farmer groups. As the travel restrictions were relaxed in June 2020, the entire Sesi Technologies team was on road for extended periods of time travelling to upcountry regions to undertake awareness creation and training activities.

The COVID-19 situation has increased shipping costs substantially and this has adversely impacted the manufacturing cost and direct sales costs. Eunice, the operations head mentioned that Sesi Technologies was supported by DHL services under the micro-enterprise support program, wherein their shipping cost was substantially lower than regular market rates.

» Currently we are not in a position to get private equity as we haven't proven our business model. We will, hence, be bootstrapping to grow our business organically and once we have proven our business model, we will be able to get private equity into the company. «

Isaac Sesi, CEO Sesi Technologies

» Consumer behavior change requires a lot of behavioral research and investment in behavioral change communication. A small organization like ours cannot finance such initiatives at scale. Development agencies can help us by providing our customers with knowledge and driving behavior change. In addition, piloting innovative product financing mechanisms targeted at farmers will also enable the greater adoption of technology among farmers. «

Isaac Sesi, CEO Sesi Technologies

» *Hardware product development and manufacturing process optimizations is painful and time consuming due to limitation in access to knowhow. It is also difficult to get the product certified through the different processes in different countries. Availability of technical support in product development, manufacturing process and engineering technology will help Sesi Technologies overcome the above mentioned bottlenecks.* «

Isaac Sesi, CEO Sesi Technologies

» *Linkages to development agencies helped us to access their farmer networks through their existing project channels, both locally and internationally. If development agencies can plug us in to their existing project system we can use their trusted channels to conduct awareness creation among different stakeholders.* «

Eunice Akowuah, Operations Lead Sesi Technologies

Sesi Technologies' growth opportunities and factors that will drive employment creation

Factors aiding revenue and employment growth

- **Access to capital:** Sesi Technologies has been reliant on its founder's capital, grant money, internal accruals, and loans from directors to fund its capital requirements. The organization is also set to receive further grant money of about USD $50,000, which the organization plans to use to enhance production capacity. However, to utilize the new capacity to optimum levels and to meet its supply chain requirements, Sesi Technologies requires access to working capital funding. Owing to high interest rates for debt capital (30%) in Ghana, Sesi Technologies looks to low-cost capital or grant support to fund its working capital requirements. An enhanced availability of working capital requirement would enable Sesi Technologies to be more aggressive in building a robust distribution network in Ghana and other countries. Sesi Technologies has estimated a capital need of about USD $3 million to achieve its growth plans for the next five years.
- **Customer behavior changes and access to finance:** One of the key challenges faced by Sesi Technologies is to convince target customers about the pay-off gained from investing in technological products like GrainMate. The primary reason for this behavior is the presence of immediate competing priorities for customers like sourcing quality farm inputs, paying school fees, healthcare, and other expenses. This results in an unwillingness to invest especially when commercial benefits of the investments will take time to accrue. Another barrier is the lack of affordable and flexible financial products that can support the purchase of products like GrainMate.

Constraints to be alleviated to support growth

- **Access to technical know-how:** Sesi Technologies' founder, Isaac Sesi, has about three years of experience in technological instrument manufacturing. Under his leadership, the organization has so far addressed manufacturing related challenges "on the fly". This approach has cost Sesi Technologies crucial down time and slowed its growth. For the organization to achieve its growth aspirations it is important to have access to manufacturing experts who can support in developing more robust manufacturing processes to ensure high-quality manufacturing at scale. However, the high cost associated with engaging high-quality talent and their preference to work in an established enterprise are some of the limiting factors for Sesi Technologies.
- **Access to new markets and partnerships:** Sesi Technologies' sales projections will require access to multiple markets and multiple distribution channels. Based on the success of its partnership with WFP, Sesi Technologies has identified the potential opportunity in curating partnerships with development organizations like GIZ and USAID which have access to farmers and aggregators across Africa through various agriculture development projects.

SWOT analysis

Based on our analysis of Sesi Technologies' business model, an analysis of the company's strengths, weaknesses, opportunities, and threats that influence job creation opportunities is summarized below.

Strengths	Weaknesses
• Sesi Technologies has been able to leverage support from development partners like USAID and World Food Program to a) create awareness among farmers, and b) sell GrainMate through project funding. • Sesi Technologies has invested in establishing a direct sales team and expanding product reach by leveraging the existing agri inputs distributor network. • Sesi Technologies is in control of the product development and plans to ramp up the technical team to develop new products and services. • Sesi Technologies has set up a local production line that provides employment for local technically skilled labor. Sesi Technologies' business model has created business opportunities for local vendors by engaging them in its supply chain. • GrainMate is priced three times cheaper than other global brands in Ghana and the product can measure moisture content in multiple grains unlike competitors from China.	• Sesi Technologies has been dependent on grant money for meeting business needs. In our experience, entities that focus on grants tend to optimize for the mid-term rather than for the long-term. • Awareness for the need of moisture monitoring is low among Sesi Technologies' key customers - poultry farmers, aggregators, processors, and grain farmers. • Owing to limited capital, Sesi Technologies doesn't have a separate marketing budget to create consumer awareness and demand. • Typical of early-stage enterprises, the recruitment function is centralized at the CEO level and the organization has limited HR systems & processes.
Opportunities	**Threats**
• There is enormous potential to reduce post-harvest losses through adoption of technology. • Sesi Technologies has plans to enhance its product and service offerings on post-harvest management, facilitate connections with quality suppliers, and promote access to institutional buyers. • There are no domestic competitors to Sesi Technologies and there are markets for agritech in many African countries outside Ghana. • Sesi Technologies' planned expansion of product and services, as well as geographic areas of operations, has the potential to create high-quality jobs in production, sales, marketing and distribution.	• Sesi Technologies' raw material sourcing model is concentrated to a few suppliers in China. Chinese manufacturers of cheaper moisture meters can innovate to cover a wide range of grains, thereby removing the competitive advantage of Sesi Technologies. • Access to early-stage equity funding would be limited in African context. • The salary packages offered by large private sector players may attract the scarce high quality technical talent away from small scale manufacturing enterprises like Sesi Technologies.

Figure 63:
SWOT Analysis of Sesi Technologies' Business Model

Sesi Technologies business growth model and path to sustainability

Sesi Technologies is a germinal social enterprise, which has been in existence for only two years. The enterprise has standardized a moisture meter product and the enterprise is currently taking the product to market. Since there is no existing market available for the product, the enterprise is also focusing on generating consumer awareness and creating demand for the product. The growth model of Sesi Technologies can be summarized as below:

	SHORT TERM	MEDIUM TERM	LONG TERM
			Deepen customer relationships by providing complimentary products / services
		Optimize production capacity and institute internal controls	
	Experiment with multiple sales channel to assess revenue growth potential		
Sesi Technologies' business growth model	• Since Sesi Technologies is in a product business, its immediate imperative is to identify business channels that can spur sales • Undertake consumer awareness and demand creation activities • Build distributor network in Ghana, Zimbabwe, Kenya, and Uganda, build direct partnerships across Africa	• In the medium term, Sesi Technologies needs to de-risk its manufacturing supply chain and make its manufacturing process more reliable to meet customer needs • Increase production capacity by upgrading manufacturing assembly line • Introduce technology to bring operational & financial control • Roll out app platform and provide advisory services	• In the long term, Sesi Technologies can transition to being a trusted partner of farmers especially in the post harvest phase • Provision of warehouse storage on rentals • Digital platform sale of agri commodities • Identify opportunities where existing farmers can be benefitted by leveraging technology solutions
Inputs that will aid business growth	• Opportunities to access famer networks & agri projects of DFIs • Risk capital: low cost debt to fund working capital requirements • Grant capital to fund research & consumer awareness creation	• Grant capital to increase production capacity • Training and capacity building of team members • Industry connect to streamline manufacturing process & product development • Support to establish operational & financial controls	• Grant capital to experiment additional product development • Skilled manpower on agritech • Legal support for intellectual property rights • HR advisory support • Partnership opportunities with different stakeholders in agri value chain
Job creation outcomes	• A dedicated sales team to identify sales channels and drive sales • Social media team for running awareness campaigns	• Expanded manufacturing and sourcing teams • Dedicated technology team to operationalize app platform • Finance and control team	• New business development team • Professionals to strengthen the sales and marketing, operationalize new lines of business
Social & Environmental impact outcomes	• Reduction in post harvest losses and increase in farmers income and • Increase in availability of good quality food for human consumption		

Figure 64:
Sesi Technologies growth model

Short-, mid-, and long-term growth

Sesi Technologies is an early-stage, product-oriented social enterprise that supplies a meter to measure moisture content (GrainMate). The product is used for measurement of moisture content in six agriculture commodities. The enterprise had spent the last two years largely on standardizing the product and setting up a basic production process.

- **Short-term growth:** In the immediate term, Sesi Technologies will refine its customer acquisition strategy. The enterprise will also focus on increasing the capacity of its sales channel to market the product. The enterprise intends to focus on setting up distributor networks in Ghana, Zimbabwe, Kenya, and Uganda. To achieve this, Sesi Technologies will build partnerships with agro-processing industries, DFIs, NGOs, and farmers' associations to gain access to their distribution networks, farmers, and agriculture development projects as the case may be.
- **Mid-term growth:** In the mid-term, Sesi Technologies will focus on adding more value to its customers as well on increasing its production capacity. To add value, Sesi Technologies intends to roll out an app platform to provide value-added services to customers. To enhance production, Sesi Technologies intends to upgrade the machinery used in the assembly line, set up a modern production line, and deploy additional manpower. On the organizational front, Sesi Technologies is likely to deploy control systems to bring in operational and financial control.
- **Long-term growth:** In the long-term of five to seven years, Sesi Technologies is likely to focus on diversification into additional products and services that are targeted at farmers and businesses in the agriculture value chain. The list of possible additional services includes providing warehouse storage on a rental basis to farmers, providing a digital platform to trade agriculture commodities. On the other hand, the product innovation would be driven by the opportunity gaps available in the farming ecosystem for technology intervention.

Inputs that will aid business growth:

- **Access to farmer networks and agriculture projects:** To date, Sesi Technologies has sold the majority of its GrainMate product through direct sales. In the recent past, the enterprise has partnered with Development Funding Institutions (DFIs), like USAID, and accessed their farmer network to sell GrainMate. The enterprise also had an opportunity to collaborate on a World Food Program project, implemented by the Ministry of Agriculture in Ghana through DFI partnerships. Sesi Technologies has a high degree of conviction that DFI and project partnerships would aid business growth of Sesi Technologies in the short- to mid-term.
- **Partnership with different stakeholders in the agriculture value chain:** Sesi Technologies has also partnered with association of food processors in the past which had helped the enterprise to sell additional GrainMate products. Sesi Technologies was recently onboarded as a technology partner to Vestergaard, a Dutch humanitarian food enterprise and, in this partnership, Sesi Technologies will provide GrainMate to Vestergaard's suppliers in Kenya. Partnerships of the above nature will provide Sesi Technologies access to new markets beyond Ghana.
- **Market insights, consumer behavior and market creation:** In the short- and mid-term, market insights and better understanding of consumer behavior will aid Sesi Technologies to better understand market potential and devise appropriate go-to market strategies.
- **Availability of grant and risk capital:** Sesi Technologies had been solely relying upon internal surplus and grant money secured from social enterprise challenges and business idea competitions, to fund its working capital as well as growth investments. Hence, in the short- to long-term, access to grant capital from philanthropic agencies will aid Sesi Technologies in new product development and increasing production capacity. Apart from grant capital, Sesi Technologies is also in need of debt to finance its working capital requirements. Since the cost of debt capital is as high as 30% and requires collateral security, Sesi Technologies is unable to access it. Hence, a risk capital funding for working capital requirement could aid business growth for Sesi Technologies.

– **Human resource support:** As Sesi Technologies grows, it will need to reduce its dependency on its CEO as well its reliance on part-time staff for its manufacturing function. Sesi Technologies will also need to build up in-depth management functions as well as in manufacturing, sales, and service. To achieve this, Sesi Technologies will need the availability of trained manpower at an entry level, skilled manpower at an experienced level as well as advisory support in setting up and managing a more complex organizational structure.

Job creation outcomes

– **Production and operations:** On the production front, Sesi Technologies has plans to hire full-time resources to support the expansion of operations in the immediate to medium term. It also has plans to hire a lab technician and a production manager in the next two years. Sesi Technologies plans to scale up production capacity in the immediate future and this will result in an increase of gainful employment days for contractual employees in the manufacturing line. Sesi Technologies also plans to gradually increase the number of production technicians over the coming years in line with production requirements.
– **App and platform development:** Sesi Technologies is currently working on an app and platform to connect with farmers to provide other value added services. To operationalize this plan, Sesi Technologies plans to set up a core technology development team. The team will comprise a technology lead to chart the roadmap and spearhead the development process. The lead will be supported by a team of software engineers plus embedded systems engineers.
– **Sales and marketing:** Sesi Technologies has relied heavily on direct marketing activities to create awareness among farmers and generate demand for its product. Sesi Technologies plans to support the sales head with a complete sales team to manage both direct sales as well as channel sales. This new team will help Sesi Technologies to achieve its targeted unit sales in the medium term.

CASE STUDY 03

TakaTaka Solutions: Leveraging the Value of Waste for a Circular Economy (Kenya)

Analysis of TakaTaka Solutions' Business Model

Company ownership and history

TakaTaka Solutions (TakaTaka) is a Nairobi-based waste collection and recycling business that was founded in October 2011 and began commercial operations in 2014. It has grown to be one of the largest waste management entities in Kenya by volume of waste handled and also by the number of staff employed. TakaTaka currently operates an end-to-end waste management system where it collects, separates, and sorts waste at its centralized sorting stations. Currently, the company is serving more than 20,000 customers and handles up to 50-60 tons of waste daily.

Business model analysis

TakaTaka is the only waste company in Kenya that does the end-to-end waste management. It is also the only company that operates mixed waste sorting sites in Kenya. TakaTaka's business model is summarized below.

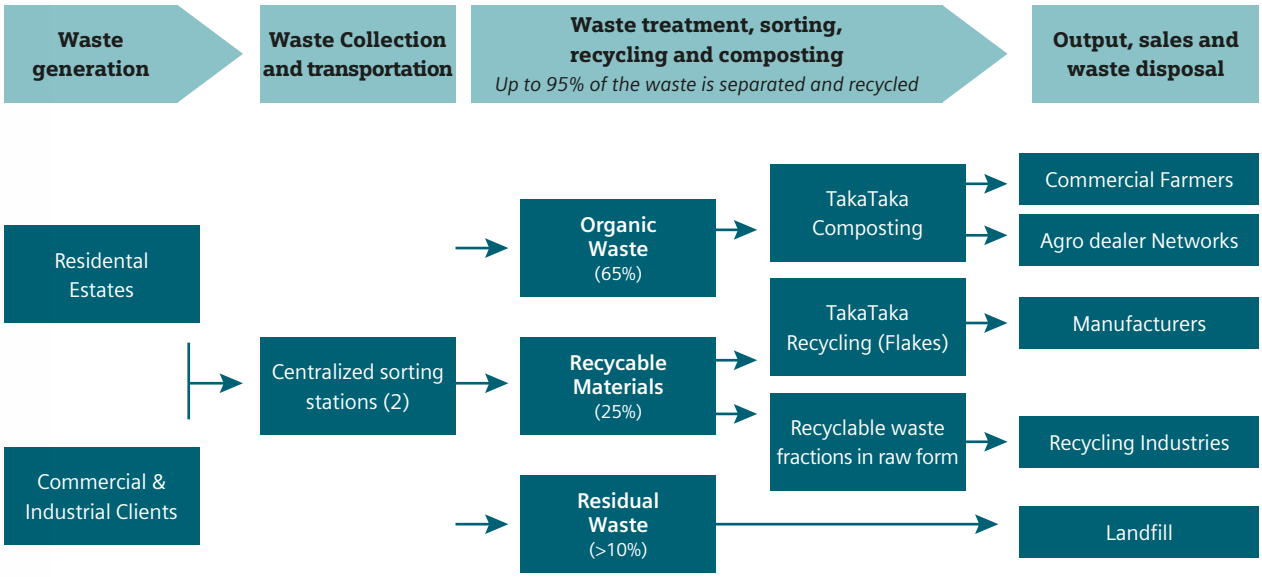


Figure 65:
Summary TakaTaka's business model

- **Waste collection:** TakaTaka has a fleet of 10 trucks complemented by a collection team of two to four per truck to go around and collect waste from residential areas, commercial establishments, such as hotels, restaurants, and shopping malls. Taka-Taka collects waste from residential areas twice a week, while for the bigger clients such as hotels, restaurants, and malls, waste is collected on a daily basis. However, the frequency of waste collection is customized based on the type of client, amount of waste generated, and contractual agreement with the client. Waste from malls is usually compacted on-site and sold directly, especially if the waste fractions do not require much sorting. TakaTaka has placed employees and compacting machines in each mall that it serves to compact the waste, which is then transported to the off-takers. The rest of the waste collected is transported to one of TakaTaka's sorting sites.
- **Sorting:** Waste is then taken to TakaTaka's sites where it is offloaded and separated through mechanical separation (using drum sieve technology) into over 40 waste fractions at two central sorting sites - one in Banana (Limuru) and another in Kangemi in Nairobi county.[2] It is soon planning to open another sorting site in Kikuyu, which will serve waste collected from the southern areas of Nairobi. The sorting capacity per site has increased from 180 kg/line/day to the current 2-3 tons/sorting line/hour. The sorting site in Banana has two sorting lines, which make its capacity 40 tons/day for single shift operations.[3] The Kangemi site has a single line that has a capacity of about 15-16 tons/day.
- **Waste trading:** TakaTaka also picks up waste collected by informal third-party waste pickers to augment the quantity of waste it processes as well as to ensure that the waste is managed scientifically. TakaTaka has set up a collection facility near Nairobi's big dumpsites (Dandora and Thika) to buy waste from waste pickers.
- **TakaTaka recycling:** Some waste fractions, such as single use plastics, that TakaTaka sorts do not have sufficient end-use markets in their raw form. TakaTaka, however, realized that there is adequate demand if these are converted to pellets. Therefore, the company started a unit for the conversion of these waste fractions. The specified waste fractions are fed into a conveyor belt where further sorting is done. Each sorting belt has about seven people standing on each side, further separating the waste. The sorted waste is then fed into cold and hot wash systems for cleaning and subsequently fed into a system that dries and separates the waste materials. Depending on what the intended outcome of waste fraction, some of the system valves are closed and the separated material is fed into a machine that pelletizes the material. Each pelletized material has a different value in the market depending on the demand. The recycling side can employ at least 25 people. These employees are staffed in the sorting lines, supervisors, machine operators & maintenance and collection and bagging.

– **Composting:** Composting involves the conversion of organic waste into organic fertilizer and soil conditioners. TakaTaka has a central composting facility. The sorted organic waste is separated into two parts – (a) pig food which is usually less than 5% of the waste, and (b) waste that will be converted to organic fertilizer. The conversion rate of waste to organic soil ratio is about 30%. After the organic fertilizer has matured, it is taken through a sieve machine that is used to separate the fertilizer depending on size of particles. After sieving, the bio-fertilizer is packed and sold under the brand name 'Soil Plus'.

Customer segments and value proposition

Although there are over 200 private players in the waste sector industry in Nairobi, TakaTaka is the only player providing end-to-end waste management services. The customer segments served by various services offered by the company are summarized below:

– **Waste collection services:** On the waste collection side, the clients that TakaTaka serves include residential estates, and industrial and commercial clients. Among residential customers, TakaTaka collects waste from low-, middle-, and high-income residences. TakaTaka has been strategically focusing on increasing the share of high- and middle-income households as these have better waste value realization potential. Commercial and industrial clients include supermarkets, restaurants, and malls among others. For such clients, the price of each contract varies depending on the value of recyclable fractions and the quantity of waste collected, which influences the frequency of collection. Unlike household waste, the waste from these commercial segments differs in their composition. For example, waste from malls comprises high levels of recyclables whereas waste from hotel & restaurants have high levels of organic waste. Among customers in the commercial segment, malls offer the highest scope for revenue from recycling, followed by schools and offices, and then hotels and restaurants.
– **Waste recycling:** On the recycling side of the business, TakaTaka serves B2B clients who purchase clean pelletized flakes as a raw material input for the manufacturing of other molded plastic, single-use plastics, plastic chairs among other uses. Other fractions such as cardboard is sold to paper industries and PVC fractions are sold to other B2B private industries.
– **Waste composting:** On the composting side, TakaTaka serves both B2B and B2C clients. The B2B clients include agro-dealer shops and farmer groups, who then sell the organic fertilizer to individual smallholder farmers. TakaTaka favors the B2B distribution method due to its efficiencies and ability to carry out bulk purchases. B2C clients include large commercial farmers who purchase the product in bulk.

Marketing and distribution channels

TakaTaka has adopted a strategy of targeting industrial/commercial clients and larger residential compounds for its waste collection services. The company has adopted a mix of various marketing strategies to ensure they convert such customer segments into sales leads. These strategies include door-to-door marketing, online canvasing for clients, and referrals from other clients.

To ensure a good relationship with customers, the company provides other add-on services over and above the waste collection services. This is done to increase the percentage of repeat clients and renewal of contracts. Furthermore, some of these strategies are used to convert the more environmentally-aware clients into customers. These add-on services include provision of a green building sticker/certificate to a client after enlisting the services of TakaTaka and providing data analytics, generating waste data and reports for different clients. This report breaks down the percentage of waste fractions collected from the client and allows the client to make better decisions and be more environmentally conscious.

Challenges of collection, sorting, recycling and composting

- **Difficulty in enforcing separation of waste at the source:** There is lack of cooperation from clients to enforce separation of waste at the source, despite TakaTaka's efforts to provide separate bin liners. This is because of the behavioral norms of consumers. This means that TakaTaka has to still heavily invest in the separation of dry and food waste.
- **Limited markets for some waste fractions:** Some of the sorted waste fractions have a very limited market due to the few industries available that use them as raw materials. This poses a challenge for TakaTaka in disposing of some of these fractions that could otherwise be useful.
- **Heavy capital expenditure:** Machinery required to set up an end-to-end waste management plant is very expensive and thus it becomes challenging to scale and grow quickly.
- **Challenges of accessing land:** In Kenya, the municipalities do not allocate land required to set up sorting and waste management sites. As such, land becomes very limited and TakaTaka has to lease or rent the land that it uses, which is very expensive. Furthermore, Kenya does not have proper zoning in the city and thus the likelihood of setting up a sorting site near a residential area is high, and this brings about community hostility due to lack of acceptance.
- **Limited understanding of the benefits of organic fertilizer:** Most farmers are unaware of the benefits of organic fertilizer and tend to purchase more inorganic fertilizers. This limits the volume of 'Soil Plus' that can be absorbed by the market. There is, therefore, a need for intensive farmer education and behavioral change to increase demand for the product.
- **Promising product in the market:** TakaTaka's entry to the compost market is still early and thus customers are yet to be familiar with the product and brand name. Therefore, there is a need for the company to conduct intensive marketing to ramp up the demand for 'Soil Plus'.

» In Europe where I grew up, it is a cultural norm to separate waste even in households. I see this culture generally lacking here in Kenyan households where all waste is mixed. «

Andreas Haueisen,
COO TakaTaka Solutions

Governance and human capital

Job creation and human capital

The end-to-end nature of TakaTaka's business operations results in a higher manpower intensity of its operations. The company employs 293 staff on a full-time basis – this is more than four times as many people per ton of waste handled compared to if the company were to adopt a traditional 'collect-to-dispose' model.[4] At TakaTaka, 42.7% of the employees are staffed on the collection side and 43.7% staffed on the separation side. The other 10% are spread across the composting and the management team. As the company seeks to open the new site in Kikuyu, it will be recruiting at least 60 more employees who will be staffed in collection, sorting, and separation.

TakaTaka creates indirect jobs by sourcing waste from waste pickers and collectors, waste transporters, and people working at recycling industries as they are integrated within the company's value chain.

By 2025, the current levels of TakaTaka's business growth will generate an additional 700 direct jobs and about 2,500 indirect employment opportunities. If the organization continues to sustain its growth levels, by 2030, there is potential to create an additional 1,500 direct jobs and well over 5,000 indirect employment opportunities.

Recruitment and selection criteria

Recruitment of staff is done after the identification of a gap in the processes by the line manager, and after discussions with the COO and other relevant managers, a decision to hire is made. For TakaTaka, the most important requirements are the soft skills of a potential employee and their experience, rather than their education level and achievements. This is done to attract agile and flexible employees who can fit into various roles.

Employee compensation and incentives

TakaTaka's overall remuneration packages can be up to 1.5-2 times higher than the packages offered by other players in the market and industry standards. Base compensation is given as per the laws of Kenya where the minimum wage is stipulated as KES 13,572 (Kenyan shilling) per month (~USD $135). Over and above that, TakaTaka provides allowances and incentives based on various incentive structures to make the salaries competitive. Generally, on average, staff receive about 10% of their basic salary as commission which is paid out on a weekly basis, upon achieving certain KPIs.

TakaTaka has also adopted some non-monetary incentives to promote employee participation including provision of medical insurance, provision of protective equipment, and contribution to the pension scheme. The company also provides paid training for its potential staff for one month, daily lunches for its current staff, and the employees are allowed to be part of the company's savings group.

Human resource gaps and challenges

- **Difficulty in finding quality talent for mid- and top-level management:** There is a lack of quality talent that can be recruited for top-level management in Kenya. Those who are available are very expensive to hire. This poses a challenge especially when recruiting.
- **Investments in training:** Although recruiting staff in junior level positions is easy for TakaTaka because the position requires a low level of skill (i.e. minimum secondary level graduation), this subsequently means that training of staff should be thorough. The training is done for a minimum of one month, and as an incentive to the potential employee, they are paid within the month of training. This pushes up the training costs borne by the company.

» Circular economy approaches in waste management have significant potential for job creation across developing countries. This is because the various steps involved, from collection, sorting, recycling and composting, are all highly labor intensive. «

Daniel Paffenholz,
CEO TakaTaka Solutions

TakaTaka Solutions' financial model

Revenue trends

TakaTaka's major revenues are from waste collection fees, sales of recyclables, and bin/liner sales. The biggest revenue driver for the company is waste collection fees which have historically contributed to about 80% of the revenues annually. The sale of recyclables has been the second biggest revenue earner for the company, contributing an average of 13% to the total revenue. Revenues from composting sales have been small as it is a new revenue stream for the company.

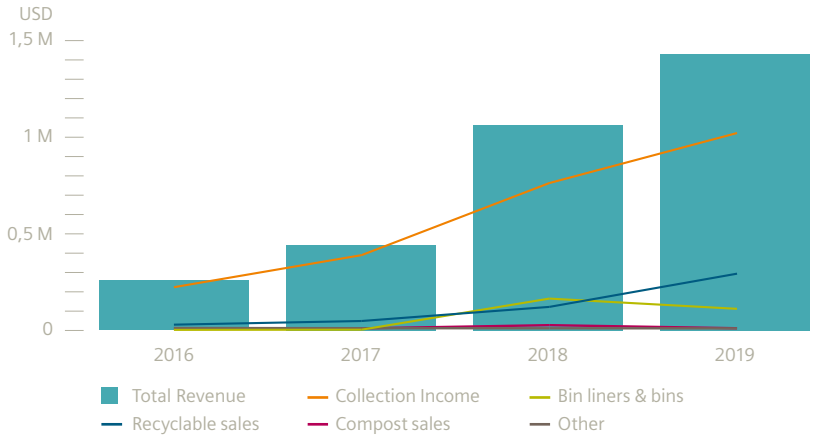


Figure 66:
Historical revenues from each business line

EBITDA margins

Direct labor, materials and bin liners, and motor vehicle running costs account for over 75% of the cost of goods sold. The company became profitable in the 2018 financial year on a net level and expects to remain profitable in the future.

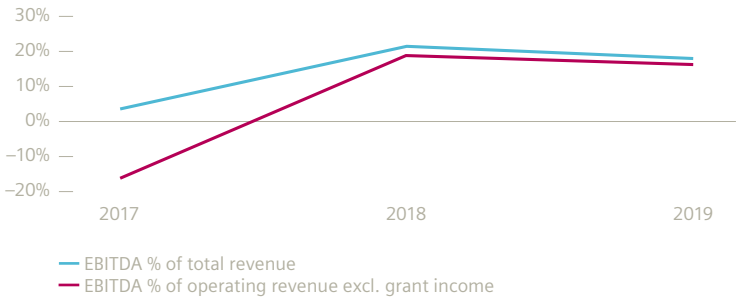


Figure 67:
Historical EBITDA margins (%)

Capital structure & funding

TakaTaka's financing partners for both grant and debt financing include leading development players such as USAID, KFW DEG, and Siemens Stiftung, as well as financial institutions. The company's capital allocation strategy is influenced by the fact that it operates in a sector that has very few organized players and with nascent business models. TakaTaka tends to leverage grant capital to experiment with either new technology or new ways of doing business. This enables TakaTaka to leverage patient and more risk-tolerant capital to innovate and learn. TakaTaka relies on commercial capital to scale validated technologies/business models thus creating greater employment and environmental impact.

Impact of COVID-19 pandemic

The COVID-19 crisis has impacted TakaTaka in several ways, including:

- **Decrease in the volumes of waste collected:** Due to the closure of hotels and restaurants, and lower foot traffic in commercial places, the volume of waste that TakaTaka has collected reduced by about 50%.
- **Decrease in the number of trips per truck:** Although TakaTaka has been classified as an essential service provider in Kenya, and thus not affected by the curfew times, the company chose not to operate after curfew hours. This is because such operations both come with enhanced health risks as well as the fact that administrative requirements would increase costs.
- **Decrease in the number of people per truck:** To maintain social distancing and ensure the safety of staff, TakaTaka reduced the number of people sitting in the driver's cabin to just the driver. Previously, each truck had a total of three employees – a driver and two passengers.
- **Decrease in revenues:** Not only has TakaTaka been impacted by the reduction in volume of waste collected, the value of recycled waste has also come under pressure from clients pushing for discounts.

In response to the pandemic, TakaTaka has implemented several strategies to manage its cash flow and remain sustainable despite the crisis. They include:

- **Optimizing the number of trips taken by collection trucks:** To manage cash flow, some of the routes that the collection trucks take have been combined to ensure optimal utilization of assets and prudent management of expenses.

- **Introduction of 'COVID waste' management:** TakaTaka has introduced another waste fraction dubbed 'COVID waste'. This includes all the PPEs (face masks and gloves) that are disposed of in malls, hotels, supermarkets, and residential areas. TakaTaka collects this waste with appropriate safety precautions and disposes of it separately by incineration to minimize spread of infection.
- **Re-organization of staff:** Although no lay-offs have been made TakaTaka has reorganized its staff, especially from the collection side due to the reduced volumes of waste collected. For instance, some staff from collection side were redeployed to work in composting and others in separation and sorting. This reorganization affected about 20- 25 staff.
- **Increment of salary put on hold:** Although TakaTaka did not implement any salary pay-cut, the company put any salary increments on hold to ensure better cash-flow management.

Opportunities and barriers for growth and employment creation

TakaTaka's growth opportunities and factors that will drive employment creation

- **Government intervention on the waste sector:** There has been a push from the Government of Kenya to increase adoption of circular economy principles. This has increased the willingness of local government and residential societies to engage formal waste collectors and ensure that waste is properly treated. This ultimately increases the potential for the company to create more jobs for waste collectors and sorters. Although this is an emerging intervention from the government, such influence from relevant authorities is necessary to enhance the growth of the sector.
- **Increase in the volume of waste collected and sorted:** TakaTaka's growth opportunity lies in increasing the volumes of waste collected, sorted, and processed. This ultimately leads to an increase in the number of people that TakaTaka directly employs on the waste collection and sorting sides of the business. Furthermore, through the increase in volumes of waste sorted and recycled, TakaTaka can create indirect job opportunities for people employed in the recycling industries. TakaTaka can adopt different approaches as it seeks to increase the volumes of waste collected. These include:
  - **Integrating more waste pickers into the business model:** TakaTaka is already working with waste pickers at the Dandora and Thika dumpsites. These waste pickers supply TakaTaka with waste that is subsequently sorted into different fractions and sold to recycling industries. Ramping up this trading business has the potential to create indirect jobs for the waste pickers and increase the growth potential for TakaTaka.
  - **Lateral expansion:** TakaTaka's growth strategy is to expand into a company that offloads waste from other waste collection companies at a cheaper price than what these companies currently pay to dump at dumpsites. This can increase waste volumes processed and increase employment opportunities for sorters at TakaTaka's facilities.
- **Increase the number of recycling plants:** Some of the waste fractions that TakaTaka sorts currently do not have sufficient markets in their raw form. As such, TakaTaka is seeking to expand and increase the number of recycling plants to recycle more of such fractions to increase their market value in the off-take market. This expansion will increase the number of jobs that TakaTaka can directly create in the waste recycling plants.
- **Increase in the volumes of organic fertilizer distributed:** TakaTaka is steadily increasing its market share for the organic fertilizer. TakaTaka was previously selling directly to farmers and was able to sell about 2 tons a month. However, TakaTaka has recently entered into an agreement with a distributor to sell up to 100 tons per month. This increases the potential of TakaTaka to directly employ people on the organic waste and composting side.

Barriers for growth and employment creation

- **Competition from the unregulated sector:** Generally, the waste management sector in Kenya is very fragmented and characterized by informal operators. The sector has very low market entry barriers and informal operators provide relatively cheaper services since they do not undertake any processing to reduce environmental impact. These operators dump waste illegally to maintain lower costs since treating waste is generally more expensive.
- **Land unavailability:** Getting land to operate a sorting site in Kenya is very expensive and tedious. This is because municipalities in Kenya have not adopted zoning laws that define specific areas for waste disposal and management. As such, TakaTaka has to look for private land, which is expensive. Moreover, getting licenses to operate near residential areas is very difficult and thus impacts logistics costs. This will impede the rate at which TakaTaka scales, especially if it is to ramp up its volume of waste collected, which will create a need to open up new sorting sites.
- **Collapse of the recycling markets:** The collapse of global crude oil prices has put a downward squeeze on the prices of recycled pellets made from plastic waste. This challenge has recently been heightened by the COVID-19 pandemic. This will pose a challenge to TakaTaka's business economics especially if the purchasers of recyclable material continue to significantly reduce their prices.
- **Access to patient capital for CAPEX investment:** For TakaTaka to replicate its business lines by increasing sorting centers, it needs to incur heavy capital investments. Establishment of a sorting center incurs a capital requirement of around USD $500,000. These investments can be in the form of commercial capital such as debt/equity since the business lines have already been proven to break even on an operational level. However, not many investors focus on waste management as a sector and generating conviction in the business model entails a significant time commitment from TakaTaka management. For business lines that are yet to be proven, TakaTaka prefers relying on long-term capital in terms of grant financing to validate the business and operational model. However, according to the company, most grant making institutions currently in the market tend not to prefer investments that are capital expenditure heavy.

> *» TakaTaka is operating in a sector that is heavily fragmented with a lot of illegal waste operators. In a market that has very price sensitive customers, this could be an inhibiting factor in the growth of TakaTaka. «*
>
> **Daniel Paffenholz, CEO TakaTaka Solutions**

TakaTaka Solutions' SWOT analysis and market differentiation

TakaTaka's unique value proposition lies in the fact that it provides reliable waste collection services to its clients at a relatively competitive price point and it is the only company in Kenya providing end-to-end waste management services. It is also the only company operating a mixed waste sorting line in Kenya. The company's strengths, weaknesses, opportunities and threats are summarized below:

Strengths	Weaknesses
• TakaTaka is the only company in Kenya that does end-to-end to waste management and has incorporated mixed waste sorting line. • TakaTaka has its own recycling plant, which enables it to add value to some of the waste fractions before selling it to recycling industries. • TakaTaka has relationships with over 20 recycling industries that buy sorted and recycled fractions from them. • TakaTaka has a strong and innovative management team that is able to implement the strategic vision of the company. • Unlike many waste collection agencies, all frontline workers of TakaTaka are full-time employees of the organization. • TakaTaka's business operations generate indirect employment opportunities for un-skilled and minimal skilled labor force in Kenya. • Attrition rate among frontline workers within TakaTaka is far below industry average. • Apart from paying the standard minimum wage rates, TakaTaka also pays performance based variable incentives to frontline workers in China.	• Sorting capacity per person is low due to limited automation of sorting lines. • Lack of availability of adequate skill sets in supervisory roles, which leads to micro-management from top level management. • There aren't any opportunities within TakaTaka for un-skilled/low-skilled front line workers to learn skills and move up the employment value chain. • There is scope for improvement of institutional safe-guard mechanisms for frontline workers to protect themselves from occupational hazards.
Opportunities	**Threats**
• The government is slowly pushing legislation for a circular economy, which is opening up the sector. • High volumes of waste are projected to be generated by residential households and industries in Nairobi due to increase in population and economic growth. • The uptake of organic fertilizer & soil supplement is increasing in the market. • There is surplus availability of unskilled/low skilled youth labour force in Kenya that can be employed in the waste management sector.	• Numerous illegal waste pickers in the market. • Collapse of the recycling market globally due to COVID-19, which affects the pricing of various waste fractions. • Limited availability of land that can be used when expanding sorting sites. • Fewer investors in the market that provide CAPEX and patient capital. • Cultural attitudes towards waste management sector can limit the participation of workforce in the sector.

Figure 68:
TakaTaka Solutions' SWOT analysis

TakaTaka Solutions' business growth model and path to sustainability

TakaTaka's growth lies in its ability to increase the volume of waste collected, sort it, and generate value from waste fractions. TakaTaka's growth model is described below.

	SHORT TERM →	MEDIUM TERM →	LONG TERM →
			Lateral & geographical expansion
		Increase value of waste generated by increasing the number of recycling plants	• TakaTaka can expand into a company that off-loads waste from other waste collection companies at a cheaper price than what the other companies currently pay at dumpsites. • Further, TakaTaka will consider expanding into other locations other than Nairobi
TakaTaka's business growth model & path to sustainability	**Increase volumes of waste collected & sorted** • TakaTaka intends to enhance waste collection while keeping costs low • Incorporating more waste pickers into business operations • Increase number of residential and industrial clients	In, the mid-term, TakaTaka could aim to increase the value generated from waste. This can be done through: • Increase the number of recycling plants. Recycling can increase the uptake of some of the waste fractions that may not have markets in their raw form • Increase in processing of organic waste	
Inputs that will aid business growth	• Curate partnerships with tech companies to increase automation in the sorting lines • Regulate the number of illegal waste collectors in Nairobi • Support in acquisition and access to land for waste management	• Increase uptake of recycled materials in the value chains of local and global companies • Promote circular economy • Enhance access to patient risk capital (grant & equity) • Mass education to increase market for bio-fertilizer	• IT planning and routing systems to optimize collection, sorting and recycling • Increasing management capacity to manage operations in various locations
Job creation outcomes	• Increase in economic opportunities for waste pickers • Increase in the number of direct job opportunities in the sorting line of TakaTaka	• Increase number of quality direct jobs for workers in the recycling plant & supervisors • Increase in indirect job opportunities employees along the recycling value chain	• Increase number of indirect job opportunities for personnel working in waste collection companies • Increase the number of opportunities for top management level
Social & environmental impact outcomes	• Reduction in carbon emission due to proper waste management • Increase in the quality of food due to uptake and use of organic fertilizer		

Figure 69:
TakaTaka Solutions' growth model

Short-, mid- and long-term growth

TakaTaka is a growth stage social enterprise that has already been able to find innovative ways to address customer demand for waste disposal. Its immediate growth lies in the ability to increase the volume of waste collected and sorted thus enhancing the livelihoods of employees. A financially sustainable TakaTaka can increase its staff capacity, whilst ensuring staff utilization is optimized.

– **Short-term growth:** In the short term, TakaTaka's growth lies in its ability to increase the volume of waste that it collects and sorts. This can be done through (a) incorporating more waste pickers into the model. TakaTaka plans on working and incorporating more waste-pickers into its model. This will increase the volumes of waste sorted and consequently, the volumes of waste sold to recycling industries.

And (b) increasing the number of residential areas served: increasing the number of residential and industrial clients it serves, will increase the volume of waste collected, which will increase revenues from the collection side and, similarly, revenues from on-selling recyclable materials to recycling industries.

- **Mid-term growth:** In the mid-term, TakaTaka will grow by increasing the value of waste generated, which can be done through increasing the number of recycling plants. TakaTaka will increase the number of waste fractions it recycles to increase the value of waste that is sells to manufacturers and recycling industries, which will consequently increase its margins. As such, TakaTaka would need to set up new recycling plants to handle both increased volumes of waste and increased number of waste fractions. Furthermore, TakaTaka will increase the quantity of organic waste processed. However, this will be dependent on behavior change for farmers to take up organic fertilizer, which will ultimately increase the market for bio-fertilizer.
- **Long-term growth:** In the long-term, TakaTaka will consider expanding both laterally and geographically. Lateral expansion will involve the company growing into a waste management company that off-takes waste from other waste collectors, adding value to this waste and selling it to manufacturers, which will increase its margins. Additionally, once TakaTaka has established its business operations in Nairobi, it will expand into other Kenyan counties that produce significantly high volumes of waste.

Inputs that will aid business growth:

- **Curate partnerships with technology companies to increase automation:** Through support from developmental partners, TakaTaka can establish partnerships with technological companies, supporting them to further automate the sorting lines they run to increase the sorting capacity due to the increased volumes of waste collected.
- **Access to patient risk capital:** To grow TakaTaka's established waste business, it would require access to debt capital. Furthermore, TakaTaka would require patient, risk capital in the form of grant financing, which will be used when expanding business lines that are CAPEX heavy and in testing new models that have yet to be fully established and/or tested. This includes opening up new recycling plants and expanding geographically.
- **Mass education to increase uptake of organic waste:** Through support from ecosystem players in the agriculture sector, farmers can be educated about the benefits of using organic fertilizer, which will increase the uptake and demand of bio-fertilizer in the market.
- **Increased uptake of recycled material in global markets:** Once the global markets for recyclables improve, demand for recycled materials by manufacturers will increase and consequently the margins for recyclable materials.
- **Government initiatives that will enhance a circular economy:** The government, with support from ecosystem players, should work on championing the benefits of a circular economy. This can be done in various ways such as championing for policy change, or even through setting up of green bonds that can be drawn down by waste companies to enhance their sustainability.

Job creation outcomes

- **Increase in number of decent job opportunities for waste pickers and collectors:** By integrating more waste pickers into its model through the trading business line, TakaTaka will provide decent job opportunities for waste pickers, who will receive better payment for the waste value they collect and deliver to TakaTata. The number of waste pickers is projected to increase from 400 in 2020 to 2,400 in 2023.
- **Increased number of direct job opportunities in the collection, sorting, and recycling business:** Increasing the number of residential and industrial clients, would increase the volume of waste. As such, more human resource capacity would be needed to collect the waste and, subsequently, sort it. This staff capacity is projected to increase from 350 who operate three sorting sites to about 820 who will operate eight sorting sites. Furthermore, as TakaTaka increases the number of recycling plants, more people would be employed in the recycling plants to handle the increased volumes. Approximately 25 people are employed per recycling plant.
- **Increased management capacity to manage operations in various locations:** As TakaTaka expands laterally and geographically, more staff would be required in top-level management roles to oversee operations either in the different locations or manage operations with various cohorts of waste collectors that off-load waste to TakaTaka.

CASE STUDY 04

Tebita Ambulance: Medical Care for Everyone (Ethiopia)

Analysis of Tebita Ambulance's business model

Company ownership and history

Tebita Ambulance Prehospital Emergency Medical Services PLC, herein referred to as Tebita Ambulance, is a social enterprise that operates in Ethiopia across three states including Oromiya, Somalia, and South Nation and Nationality Region (SNNR), with its regional office in Addis Ababa. The company was launched in 2008 with the aim of addressing a social challenge in the healthcare sector, where there is a lack of an organized emergency medical response service (EMS) in Ethiopia.

Tebita Ambulance is now the leading private provider of emergency medical services and pre-hospital care in Ethiopia and it has provided ambulance services to about 40,000 patients – with the majority of these patients come from poor socio-economic backgrounds. Tebita Ambulance is licensed with the Addis Ababa Health Bureau, to provide emergency pre-hospital medical services, and has achieved ISO 9001:2008 certification in quality management systems. Tebita Ambulance has also since grown to provide quality and decent employment opportunities to about 60 permanent and contractual employees.

Value proposition

Tebita Ambulance is one of the few private providers of emergency medical service providers in Ethiopia. It has grown its on-ground ambulance fleet to include advanced ambulances, which are fitted with mechanically operated ventilators compared to other providers that only have basic life support ambulances. The ambulances have also been modified to be used by people with special needs. Apart from facilities provided by the government and the Red Cross, the market has few licensed private sector operators providing EMS services in the country. Tebita Ambilance's ISO certification gives it an edge in the market especially while serving institutional clients.

Business model analysis

Currently, Tebita Ambulance has 15 ambulances, five of which are advanced life support ambulances and 10 are basic ambulance services. The business model of the company is depicted on the following page.

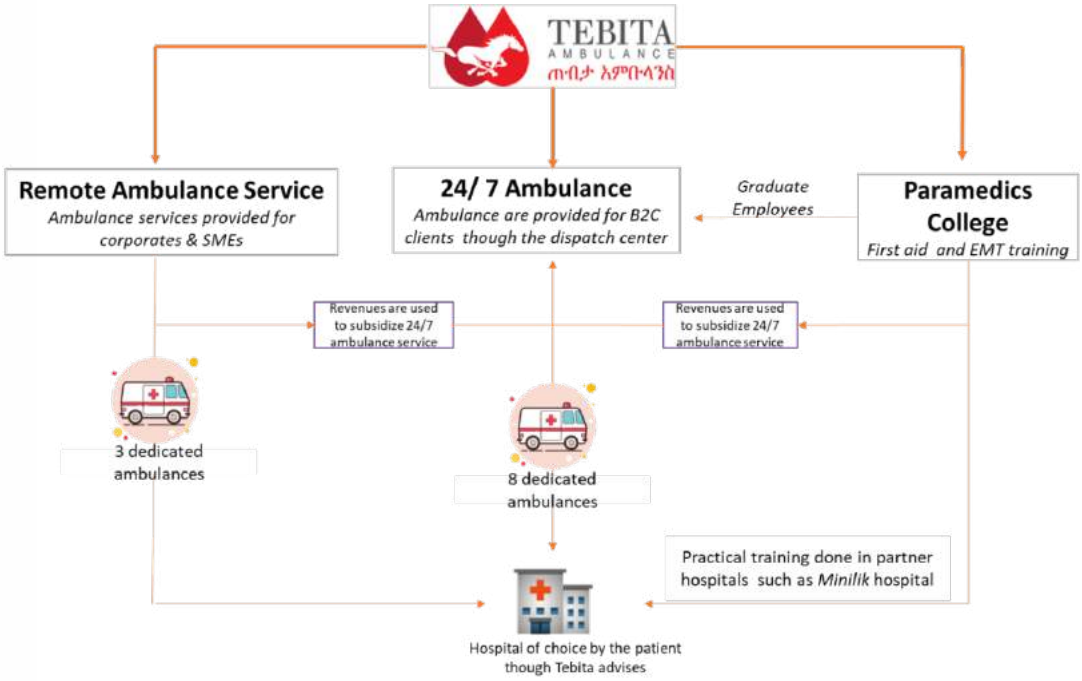


Figure 70:
Tebita Ambulance's business model

Services offered

– **24/7 Ambulance services for low income customers:** 24/7 ambulance services are provided to low-income B2C clients to enhance access to timely medical care. Costs are kept low by using the more remunerative B2B Emergency Remote Services to cross subsidize B2C operations. Tebita Ambulance has a central dispatch call center in Addis Ababa, which has five staff that work full time and is equipped with sleeping rooms for night shifts.

  Once a call is received, the dispatch team dispatches an ambulance depending on the location of the caller, availability of ambulances and the severity of the case. Payment for service is made after ambulance services have been rendered but the cost is cross- subsidised by other revenue streams. This is in line with Tebita Ambulance's social objective to still serve low-income customers, while remaining sustainable. Over 4,000 24/7 ambulance rides are made in a year.[5] Currently Tebita Ambulance has staffed 14 drivers, 5 nurses and 13 paramedics, on the 24/7 ambulance services.

– **Remote emergency care services:** The remote emergency care services are offered to B2B clients especially multinational corporations (MNCs). Tebita Ambulance enters into contractual agreements with these organizations to provide ambulances services for their employees. The ambulances are stationed at the premises of the client in case of any emergency. The company has set aside 3 advanced life support ambulances for this purpose.

  Tebita Ambulance pays for the accommodation and food expenses for its staff, who are stationed at the MNC's premises. Under this service offering, the company incorporates other services (auxiliary revenue) depending on the need of the client. These include providing a) "Peace of mind services" - this is given to clients' personnel who live in and around Addis Ababa to ensure fast and reliable response time to meet any emergency needs. And b) "International evacuation services" - Tebita Ambulance provides proper evacuation systems and protocols for its clients and its personnel when necessary.

– **Emergency Medical Training (EMT) services:** Tebita Ambulance provides emergency medical training services directly to individuals or through partner organizations. All the short-and the long-term training curriculum used for the training is standardized as per the country's standards and the courses are categorized into basic life support training, short-term emergency training for health professionals, and professional EMT training. Tebita Ambulance partners with various hospitals and health centers where the students are posted to conduct their practical training. After completion of training, Tebita Ambulance absorbs some of the students from the EMT course as paramedics in the company, though this is not an exclusive arrangement.

Customer segments

Tebita Ambulance targets both B2B and B2C customers depending on the services being offered as summarized in the table below.

Type of Service	Distribution model	Target Customer segments	Description
24/7 ambulance	B2C	Individuals	Individuals from the BoP segment who cannot necessarily afford to pay the full cost of emergency ambulance services.
Remote ambulance service	B2B	International organizations, MNCs, corporate institutions & event organizers	These are institutions that desire to have access to high quality reliable ambulance services for their staff.
EMT Training (depending on course taken)	B2B	Health institutions & hospitality industries	Institutions that want to provide refresher courses to their staff in the area of emergency pre-hospital services.
	B2C	Individuals	These are individuals who want to work in the sector and can be a talent pool that Tebita Ambulance taps into for its operations.

Figure 71:
Tebita Ambulance's Customer Segments

Distribution and marketing channels

To reach these target customer segments, Tebita Ambulance has adopted both B2B and B2C distribution channels. Similarly, it has adopted various marketing strategies especially given the low ambulance utilization in the country. These include TV and radio advertisements, print and outdoor marketing, social media marketing, and door-to-door marketing. Tebita Ambulance also works with an external marketing company to reach out to B2B clientele. Tebita Ambulance recognizes that it has to significantly invest in changing people's perception and ultimately influence behavioral change to increase uptake of ambulance services.

Other operational processes

- **Procurement of medical consumables:** Medical consumables are procured on a monthly basis from specific local suppliers, and it imports some medical consumables from Dubai and Germany. This is due to limited availability in the local market.
- **Procurement of ambulances and ambulance parts:** Tebita Ambulance procures brand new ambulances from Dubai or Turkey and maintenance is done locally. Currently, all ambulances are fully owned by Tebita Ambulance.
- **Waste disposal:** Medical waste from ambulances is collected, separated, and disposed depending on the type of waste. For instance, infectious waste is put in waterproof plastic and transferred to Migbaresenay hospital for incineration.

Tebita Ambulance's job creation impact

Job creation and human capital

Tebita Ambulance currently has created decent jobs for 56 permanent employees (42 male, 14 female) and six contractual employees. Tebita Ambulance has different reporting structures and departments where the CEO, who reports to the board, is responsible for Tebita Ambulance's strategy execution, partnership development, and fundraising. The general manager (GM) and the paramedic college dean, on the other hand, take charge of all operational matters within the ambulance services and the college services respectively. Tebita Ambulance has also hired various departmental heads to assist the GM and the dean.

The key driver of employment growth is two-fold - the drive to serve more B2C customers leading to better ambulance utilization levels and serve more B2B clients to ensure that the cross subsidization model continues to be economically sustainable. The graph on the following page summarizes the job creation potential of Tebita Ambulance.

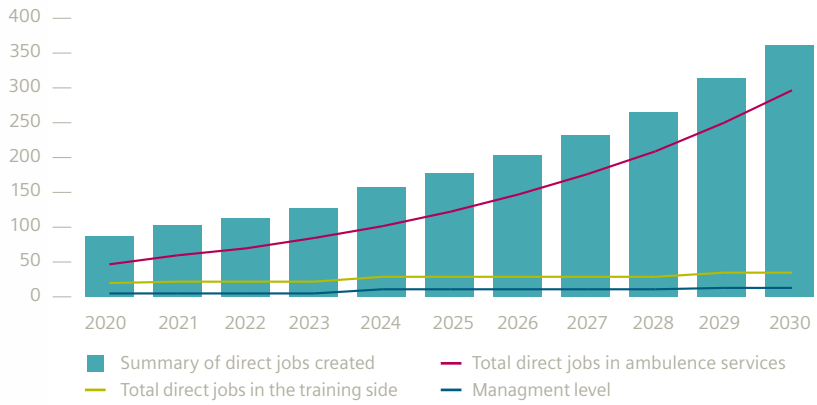


Figure 72:
Summary of total projected number of direct jobs created by Tebita Ambulance

Staffing

Each employee is expected to work up to a maximum of 192 hours per month as stipulated by the country's labor laws. If an employee works for more than stipulated hours, overtime is paid. The HR manager and the ambulance crew head are in charge of staffing and tracking the number of hours completed by each employee, which include the number of hours in a round trip of an ambulance.

- **Staffing for 24/7 ambulance service:** Each ambulance is staffed with one driver and two paramedics and/or a nurse to cater to a diversity of case severities. The fleet head and the crew head are responsible for deciding who is staffed in which ambulance, and this is decided on a weekly basis.
- **Staffing for the remote ambulance services:** Staffing is done per ambulance and is based on the contract signed. Rotation is done after every three months.
- **Staffing for the paramedics college:** For the college, a full- and part-time structure has been adopted. The HR manager together with the dean of the college is responsible to ensure staffing of the college, which has five full-time lecturers, with part-time lecturers as well.

Recruitment process and policies

Over time, Tebita Ambulance has developed quite a mature and well-developed recruitment process. The process tries to ensure transparency and aims to implement a fair recruitment policy with an overall objective of attracting and employing the most competent persons. Before hiring, a needs analysis is conducted, and job advertisement prepared. Screening of the possible candidates is done through interviews and the final selection completed. After the employee joins the company, the HR manager follows an onboarding plan, which includes the new employee taking up first aid training lessons and is expected to shadow other experienced staff to promote on the job learning. Challenges of recruitment: There is a lack of employees with experienced skill sets in Ethiopia and more so for healthcare sector professionals. Such professionals are in high demand and this makes it hard for Tebita Ambulance to identify and recruit new talent for positions that require specialized skill sets. Further, the talent available is limited in terms of capability and this forces Tebita Ambulance to invest more in training.

Employee compensation & incentives

Tebita Ambulance offers a decent and relatively competitive salary compared to other players in the market. Salary is rewarded based on the employee's position and is reviewed after every two years. Salary review takes into consideration factors such as increases in cost of living, directives by the government on minimum wage, and the current market wages. Furthermore, the company offers its employees competitive incentives, both monetary and non-monetary, to boost retention, including paid leave days, flexible working hours, and promotions. Other monetary incentives include provision of per diem, overtime and allowance payment, and medical insurance.

Tebita Ambulance's financial model and path to sustainability

Revenue projections

Tebita Ambulance's historical (2016 and 2017) revenues were driven by the revenues from the 24/7 ambulance services. In 2018, Tebita Ambulance signed two large contracts to provide remote ambulance services. This increased the contribution of the remote services revenue, making it the largest contributor to revenue in that specific year. However, in 2019, the number of contracts from the remote services declined and this slightly reduced the revenues.

In the future, Tebita Ambulance's revenues will depend on three key drivers including its ability to increase its ambulance utilization capacity, to increase the number of B2B clients who pay top-dollar for the remote ambulance services, and to ramp up marketing and increase the number of students it trains both for the short- and long-term courses. Once these revenues have been optimized within Ethiopia, Tebita Ambulance will look into diversifying its revenue streams and expanding into other regions within Eastern Africa. However, this will be a long-term plan.

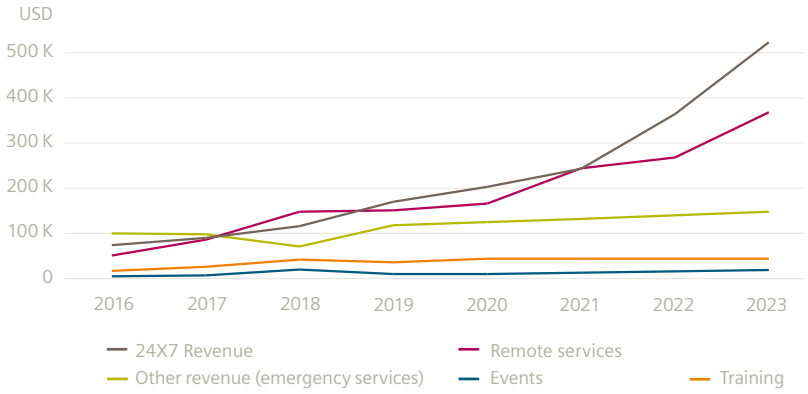


Figure 73:
Historical and projected revenue trends for Tebita Ambulance 2016-2023

Tebita Ambulance's expenses and gross margin

Tebita Ambulance's total expenses have historically grown with a CAGR of 31.9%. The major cost drivers have been the salary and benefits expense, rent expense, advertisement, and repair and maintenance costs. With the growth of the business, Tebita Ambulance has increased the pool of manpower it employs. The significant increase in 2018 can be attributed to the opening of the paramedics college within the same year. For the future outlook, Tebita Ambulance projects the expenses to follow a similar trend where the salaries and wages contribute significantly to the total expenses, as it seeks to increase the number of job opportunities.

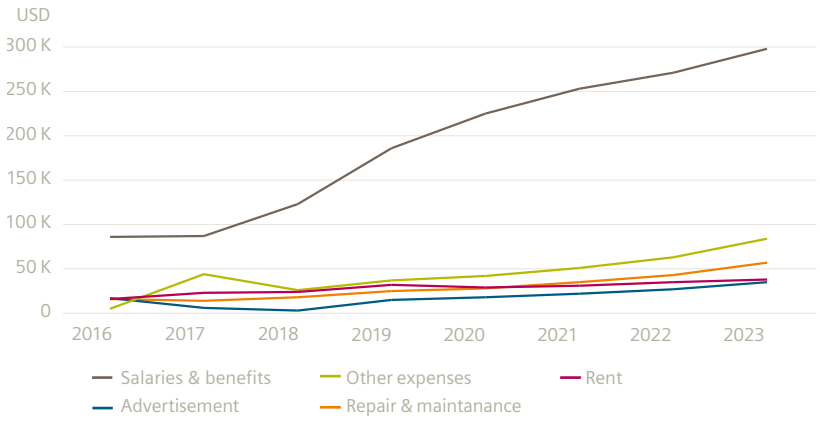


Figure 74:
Tebita Ambulance's historical and projected expense trends

Tebita Ambulance's gross profits have historically grown with a CAGR of 22%. On an EBITDA level, the margins dropped from 39% in 2016 to 24% in 2017. This was largely due to the increase in the SG&A expenses, specifically rent costs and miscellaneous expenses. Subsequently, as of 2020, the EBITDA margins are projected to steadily increase. The graph below summarizes the trend in the EBITDA and EBITDA margins.

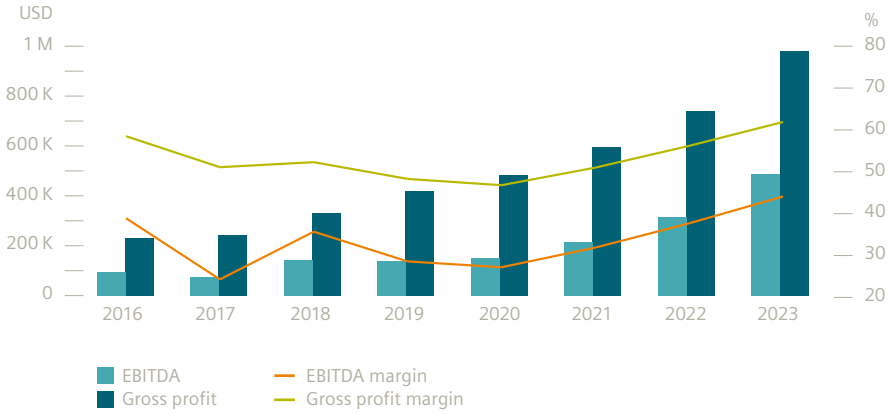


Figure 75:
Gross profit & EBITDA, EBITDA and gross margins trends

Sources of capital

Tebita Ambulance has received funding and support from different ecosystem players to finance its growth. Funding has been a mix of founder's capital, grant financing, debt financing, and equity funding. Tebita Ambulance has received over USD $380,000 in grant financing and over USD $495,000 in both debt and equity financing. Challenges in raising capital include:

- **High interest rates and unattractive terms:** The terms of debt financing in Ethiopia are not attractive to social enterprises. For instance, the market interest rate given by banks ranges from 11%-18%.
- **Expectation of collateral:** Debt financing is only available to SMEs that can produce matching collateral, which posed a challenge for Tebita Ambulance especially in the earlier stages of the company, when acquiring debt financing from the bank.
- **Restrictions on foreign equity capital:** Ethiopia has stringent investment policies for instance; the government limits foreign currency trade as well as the amounts that individuals and corporations can hold. This not only creates significant shortages of foreign currency reserves in the country but also makes it harder for investors to invest in foreign currencies, which are more stable and makes repatriation of profit from investments within the country harder.

Impact of COVID-19 Pandemic

The COVID-19, crisis has impacted Tebita Ambulance in several ways including:

- **Decrease in revenues due to underutilization of ambulance services during the pandemic:** The COVID-19 pandemic has increased the reluctance of people to (a) seek medical assistance at hospitals and medical facilities, and (b) the desire of patients to use ambulances. As such, the calls to Tebita Ambulance's dispatch center has dropped and consequently the number of ambulance rides.
- **Incurring of unplanned costs:** Due to the pandemic, some of the employees of Tebita Ambulance can no longer use public transportation to come into the office due to the increased risks. Tebita Ambulance has therefore opted to facilitate movement for some of their employees within Addis Ababa to go into the office and as such, this has increased the expenses for the company.
- **Increase in costs of PPEs:** Due to the COVID-19 crisis, there has been an increased demand for PPEs in the market and since the supply is limited, it has caused acute shortage of PPEs. This has led to the exponential increase of the costs of procuring PPEs, which are essential in an ambulance.

In response to the pandemic Tebita Ambulance has implemented several strategies to manage its cash flow and remain sustainable despite the crisis. They include:

- **Targeting other new customer segments:** Tebita Ambulance has decided to engage a potentially new customer segment, i.e. Ethiopians residing in Europe or the USA. They are targeted to avail services as part of which Tebita Ambulance's staff conduct regular home check-ins for elderly relatives residing in Ethiopia and any relatives who are vulnerable with pre-existing conditions.
- **Closure of the training college:** Tebita Ambulance closed operations of its paramedic training college to control and curb the spread of the virus due to overcrowding. Students who were enrolled were sent home.
- **Implementation of staff austerity measures:** To boost cash flow in the business, Tebita Ambulance has decreased the salary of top management employees by 20%. Tebita Ambulance has also temporarily stopped the pay out of incentives to employees and has send some of its staff such as some paramedics and nurses for their annual paid leaves, to reduce office overhead costs.

Opportunities and barriers for growth and employment creation

Tebita Ambulance's growth opportunities and factors that will drive employment creation

- **Expansion of ambulance fleet:** To increase its on-ground fleet of ambulances, Tebita Ambulance is considering asset light models compared to acquisition of new ambulances. They include:
  - Partnering with various hospitals: Tebita Ambulance will largely benefit from partnering with hospitals, which are mandated by law to have ambulances, yet their ambulances are being underutilized.
  - 'An Uber for ambulances' model: Tebita Ambulance will opt for privately owned vans that can be transformed into ambulances and get into contractual agreements with the owners of the vans. Through a revenue share basis, Tebita Ambulance will use these vans as ambulances. This is based off of other similar models such as 'flare' in Kenya that have been successful.
- **Opportunity for job creation:** Through such an expansion, Tebita Ambulance has the potential to create direct employment opportunities that will be required to staff the extra ambulances including at the dispatch center to handle increased calls from the other areas as summarized below.

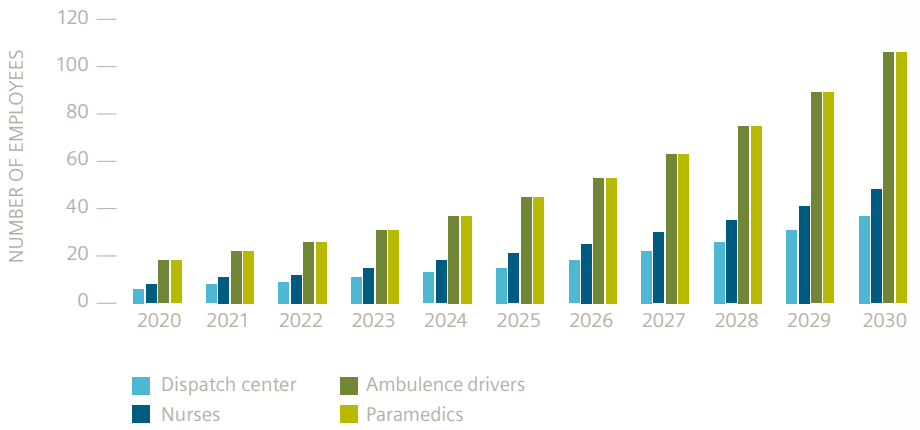


Figure 76:
Tebita Ambulance's projected number of jobs created directly by providing ambulance services

- **Geographical expansion:** Tebita Ambulance is not only looking to expand its services within Ethiopia, but it is also looking to expand into other Eastern African countries including Djibouti, Eritrea, Somalia, and South Sudan, which are highly underserved with EMS services. Tebita Ambulance is planning to open up off-site offices and dispatch centers in these countries to co-ordinate the 24/7 ambulance services and the remote ambulance service provision.
- **Opportunity for job creation:** Once Tebita Ambulance expands into other countries, the satellite offices will require human capital to ensure that they are run effectively. The direct job opportunities that will be created would mirror what is already been implemented in their Addis Ababa office. Geographic expansion will also create opportunities to recruit talent at the management level both in the target country of operations as well as in Addis Ababa. The quantum of employment would however be dependent on the scale of operations in each country.
- **Diversification of revenue streams:** Tebita Ambulance is planning to increase and diversify its revenue streams to include: (a) production and distribution of medical consumables to address the challenges of limited supply in the market, (b) set up trauma and diagnostic centers, and (c) air ambulance services. This diversification is projected to start in 2025, once the current revenue streams are optimized. Opportunity for job creation: This diversification will require different skill sets such as engineers, pilots among others. As such Tebita Ambulance will create both direct and indirect job opportunities. Based on the required skill sets and overall assumption of the number of people that can be staffed per air ambulance, trauma center and manufacturing plant, Intellecap projects that the total number of jobs created by Tebita Ambulance through diversification will be as below:

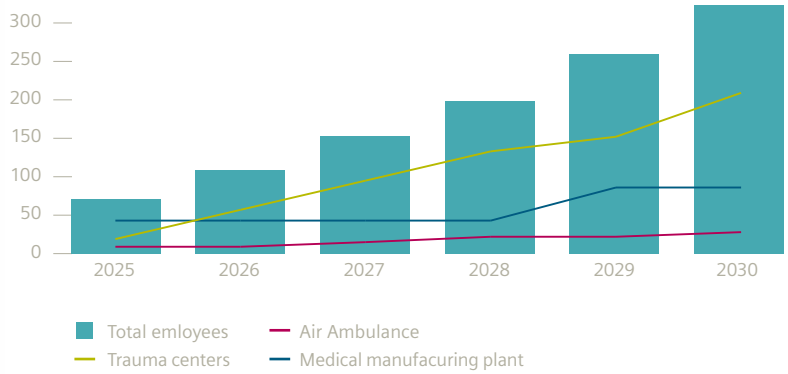


Figure 77:
Projected number of jobs created through revenue diversification

- **Increasing EMS training:** Increasing the number of students trained by Tebita Ambulance has the potential to not only increase the revenues to the company but also increase the healthcare capacity in Ethiopia. Tebita Ambulance is in discussions with the government to train up to 2,000 people with basic and advanced life support training in the next five years.
- **Opportunity for job creation:** Through increasing EMS training, Tebita Ambulance has the potential to increase both direct and indirect job opportunities. For instance, Tebita Ambulance can absorb some of the students that graduate and provide them with direct employment. The remaining trained healthcare are not absorbed by Tebita Ambulance can sort for job opportunities in other hospitals and health posts that provide EMS services. The target for Tebita Ambulance as far as job creation in the EMS training is concerned is summarized below.

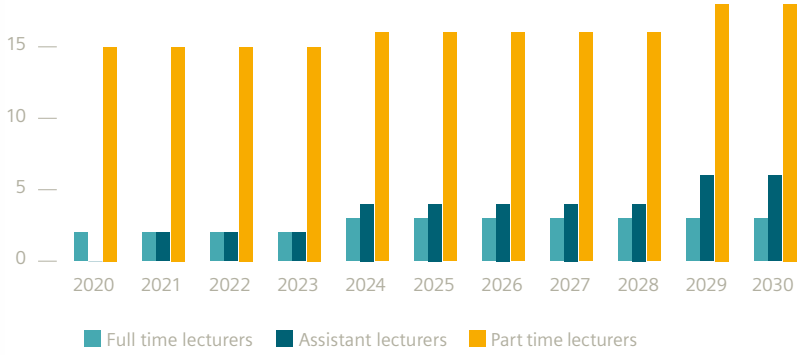


Figure 78:
Tebita Ambulance's projected number of jobs created through training

Barriers for growth and employment creation

- **Behavioral change and ability to pay:** All the growth plans for Tebita Ambulance are contingent on increasing adoption of ambulance services by the people living in Tebita Ambulance's regions of operation. However, Ethiopia's ambulance utilization level is low due and there is a general lack of awareness of the utility of ambulances as a first responder in a healthcare emergency. Patients opt to be transported by private vehicles, motorbikes, or bicycles to reach hospitals as these modes of transportation are deemed to be cheaper. Although they are cheaper, these modes of transportation do not have the necessary equipment and technical expertise required to save a life. Tebita Ambulance, therefore, has to significantly invest in changing people's perception and influence behavioral change, to increase the utilization levels of ambulances and consequently their market share.
- **Access to catalytic capital:** Tebita Ambulance is a growth-stage company that seeks to expand the range of services that it provides as well as expand its operational footprint. To successfully execute its growth plans, Tebita Ambulance needs access to capital (approximately USD $3 million up to 2023) that can fund its capital expenditure needs as well as working capital needs. However, Ethiopia has stringent restrictions on foreign currency transactions, which makes it difficult for capital to both enter as well as exit the country. These policies limit the amount of foreign capital supplied to social enterprises in the country. Limited access to capital may hamper Tebita Ambulance's efforts in meeting its growth plans and consequently the potential to create jobs.
- **Poor infrastructure:** Ethiopia has underdeveloped infrastructure, including numerous unnamed streets, frequent power outages, and cellular data network outages makes the development of time-sensitive EMS system difficult. This makes the turn-around-time (TAT) of Tebita Ambulance slower than optimal. Delays caused due to infrastructure constraints also leads to patient preferring to use private cars and motorcycles to get to the hospitals.
- **Access to talent:** To achieve its growth plans, Tebita Ambulance requires to build a capable team to support its founder and CEO. Tebita Ambulance's ability to scale and grow is dependent on the ability of its middle management to execute and implement the plans of the company. Attracting and retaining quality employees is a challenge for a relatively mid-sized company. Junior staff, such as nurses and paramedics, will also be required to be staffed in the ambulances. However, in a country such as Ethiopia, which faces a shortage in the number of trained healthcare professionals, with about 46% of full-time professionals based only in Addis Ababa, hiring quality poses a significant challenge.[6]

> *» Tebita Ambulance has great potential to scale and create significant impact in the market. However, the company needs to consider hiring a team that can carry out and execute the vision while increasing focus on sustainability. «*
>
> **Board member, Tebita Ambulance**

Tebita Ambulance's SWOT analysis

Based on our analysis of Tebita Ambulance's service offerings and business model, the company's strengths, weaknesses, opportunities, and threats that influence job creation opportunities and employee retention levels can be summarized below.

Strengths	Weaknesses
• Tebita Ambulance has a professional and experienced management team, who have local market knowledge. • The company provides regular training to all its staff to increase their job outcomes and increase the number of lives saved. • Tebita Ambulance provides competitive monetary and non-monetary benefits to its employees, which helps in increasing retention. • The company provides practical lessons for its EMT students to improve the quality staff and paramedics churned out in the market.	• Underutilization of the ambulances, which stands at about 40% leads to underutilization of staff. • Competitive salaries offered by private hospitals, which leads to attrition rate for Tebita Ambulance. • The capacity of the middle level management needs to be scaled and grown to be able to handle increased operations. • Poor cellular network in the country which limits the use and incorporation of technology in the dispatch center.
Opportunities	**Threats**
Opportunities for Tebita Ambulance to create more job opportunities lies in its ability to grow sustainably. Opportunities that would facilitate the growth for Tebita Ambulance includes: • Ethiopia's high population growth and size will ensure that Tebita Ambulance increases its market share locally, thereby creating more employment opportunities. • An accommodating government that is trying to open up the country. This can enhance ease of doing business in the country and thereby facilitate international organizations/enterprises to set up in the country. These can be targeted by Tebita Ambulance to provide emergency ambulance services. • Limited competition in the organized sector in Ethiopia.	Any threat that impedes the growth of Tebita Ambulance, impedes the company's potential to subsequently increase and create job opportunities. These threats include: • Limited human resource capacity for the healthcare sector in Ethiopia. • Psychological aversion of B2C clients to the use of ambulances, which decreases the uptake of ambulance services. COVID-19 may also have a negative impact. • Financial regulations and policies of the country, which leads to limited foreign currency in the market, decreases the ability for Tebita Ambulance to attract growth capital as well as source high quality equipment.

Figure 79:
Tebita Ambulance's SWOT Analysis

Tebita Ambulance's growth model and path to sustainability

Tebita Ambulance is a social enterprise that has established its business lines and has found product-market fit for its services. In the short term, Tebita Ambulance's focus will be on optimization of operational processes, while in the mid-term the focus will be on deepening the market and geographic expansion. In the long term, Tebita Ambulance plans to grow alternative business lines and expand regionally.

	LONG TERM →	MEDIUM TERM →	SHORT TERM →
	Growth of alternative business lines & regional expansion	**Increase market share & geographical expansion**	**Increase operational efficiencies**
Tebita's business growth model & path to sustainability	In the long term, Tebita seeks to expand its operational model to other countries and expand the range of services it offers to the medical community. This can be done through: • Manufacture of medical consumables • Increase range of services provided to patients such as: a) Air ambulances to provide immediate critical care b) Setting up advanced first responders centers • Geographical expansion within East Africa	In the medium term, Tebita could focus on expanding its business lines both geographically and from client perspective. This can be done through: • Add new high margin B2B clients and enable the sustainable servicing of 24/7 services to more BoP clients • Geographical expansion of 24/7 ambulance services within Ethiopia to serve more local clients • Innovate a model where students pay for long term training to increase margin	Tebita Ambulance's immediate focus is to increase its internal operational efficiencies. To do this Tebita could focus on: • Increase ambulance utilization levels leading to better margins • Increasing efficiencies in collection methods leading to lesser revenue leakages
Inputs that will aid business growth	• Curate partnerships with medical technology companies • Increasing management capacity to manage multiple businesses • Access to capital in foreign markets	• Training of staff to enhance: • a) Staff capacity to meet needs of B2B clients • b) Ability to handle higher volumes of operations • Access to patient risk capital a) Equity and grants for expansion b) Debt for working capital • Support government initiatives to increase uptake of EMS	• Support awareness campaigns to drive behavior change regarding usage of ambulance services and emergency medical services • Grant support for 24/7 services • Put in place MIS and financial systems to enhance transparency • Support innovations in mobile money / fintech • Provide better infrastructure including proper naming of roads & better internet connectivity
Job creation outcomes	• Creation of top quality jobs in senior management to manage expanded business • Creation of jobs across all business lines both within Ethiopia and across different countries	• Doubling of decent field jobs (ambulance drivers, nurses paramedics) from 2020- 2023 • Increase number of trained human resources in healthcare	• Increase in the productivity & utilization of existing staff, which leads to better remuneration and incentives • Increase in indirect jobs opportunities for mobile money agents
Social impact outcomes	• Increase in the number of people receiving emergency medical services, which will increase the number of lives saved		

Figure 80:
Summary of Tebita Ambulance's growth model

Short-, mid-, and long-term growth objectives

The current need for Tebita Ambulance is to optimize its internal processes and increase efficiencies to enhance its bottom line and its economic sustainability. A more financially stable Tebita Ambulance can enhance better remuneration prospects to its current staff and create more decent job opportunities in the mid-to long-term.

- **Short-term growth:** In the short term, Tebita Ambulance will need to optimize its operational processes by increasing its ambulance utilization levels, which will result into higher revenues and margins. However, this will heavily rely on behavior change from consumers to increase acceptance and use of ambulances for EMS services. Further, Tebita Ambulance can increase efficiencies in collection methods, which will lead to less revenue leakages in the business. As such, any partnerships with non-cash-based payment providers can be curated.
- **Mid-term growth:** In the medium term, Tebita Ambulance could focus on increasing the number of B2B clients. This will not only lead to increased margins, but also increase the ability of Tebita Ambulance to cross-subsidize low cost 24/7 ambulance services that can increase the number of BoP customers who can be served. Further, Tebita Ambulance could expand its 24/7 ambulance service to other states in Ethiopia thus serving more 24/7 customers. Tebita Ambulance also needs to experiment with different payment methods for students taking up the long-term courses to repay course fees.
- **Long-term:** Once Tebita Ambulance penetrates the Ethiopian market for both remote and 24/7 ambulance services, it can consider expanding into new lines of businesses as well as geographically. The company can expand into manufacturing medical consumables for which it would need support from established medical technology companies. Tebita Ambulance can also expand into new lines of businesses such as air ambulances and setting up first responder centers to provide emergency care. From a geographical perspective, Tebita Ambulance could expand into other East African countries such as Djibouti, Eritrea, Somalia, and South Sudan, which are highly underserved with EMS services.

Inputs that will aid business growth

Awareness campaigns to drive behavioral change: Tebita Ambulance will need support from other ecosystem players such as developmental partners, to provide mass education about benefits of EMS service provision in the country. This will consequently increase awareness of the utility of ambulances as a first responder in a healthcare emergency and hence increase demand for service.

- **Provide grant support for the 24/7 ambulance services:** Tebita Ambulance can work with various developmental partners that can provide grant support to the users of 24/7 ambulances to stimulate the uptake of the use of ambulances especially to the customers that do not have ability to pay for the service.
- **Access of patient risk capital:** Tebita Ambulance will require access to patient risk capital in the medium term. This will be in form of (a) debt financing that will be used for working capital, and (b) grant and equity capital that will be used in the more CAPEX heavy business lines. This includes financing expansion regionally and within Ethiopia and acquisition of helicopters that will be used for air ambulances.
- **Training of staff:** As Tebita Ambulance grows, it will need to expand its staff's capacity and ability to handle B2B clients. This can be done through continuous training. Further, with the increased capacity of operations, the staff need to be continually trained to handle higher volumes of operations.
- **Support government initiatives that will enhance uptake of EMS:** The government of Ethiopia can be supported by ecosystem players to come up with initiatives and policies that will enhance the uptake of EMS services, which will increase the demand for service and foster the growth of Tebita Ambulance.
- **Curate partnerships with medical technology companies:** Through support from ecosystem players, Tebita Ambulance can be supported to curate partnerships with medical technology companies. Such technological companies can support Tebita Ambulance to innovate in the development of medical consumables.
- **Access to capital from foreign markets:** In the long-term, as Tebita Ambulance expands regionally into East Africa, the company would need support to access capital from these foreign markets to establish and expand its operations in these markets.

Job creation outcomes

- **Increased staff productivity and utilization that may lead to better remuneration prospects:** Increased internal operational efficiencies such as increasing ambulance utilization levels, will lead to increased staff productivity and utilization due to reduced staff down-time. As such, Tebita Ambulance can consider providing better remuneration packages to its staff.
- **Doubling the number of field jobs:** Once Tebita Ambulance increases its market share and expands within Ethiopia, it will need to hire more employees that will be staffed in the both the 24/7 ambulance and remote ambulances as ambulance drivers, nurses, and paramedics. Further, more staff would need to be hired at the dispatch center to coordinate calls into the dispatch center.
- **Increased number trained human resource in healthcare:** Through ramping up the number of students trained for the EMT courses (long-term, 2-year courses) Tebita Ambulance has the potential to increase the capacity for human resources in the healthcare sector in Ethiopia by churning out about 470 paramedic graduates annually that can be absorbed by other health facilities.
- **Creation of top-quality jobs in the senior management level:** As Tebita Ambulance grows its various business lines it will need to increase its management capacity to oversee its expansion and manage its different business lines.

CASE STUDY 05

WASHKing: Affordable and Eco-Friendly Sanitation Facilities (Ghana)

Company Ownership and History

WASHKing is a budding social enterprise based out in Accra, Ghana, providing environmentally-safe sanitation facilities for low-income households in the Greater Accra region. The enterprise constructs eco-friendly toilet facilities by collaborating with local municipal assemblies. WASHKing was founded by Dieudonne Kwame Agudah in 2016.

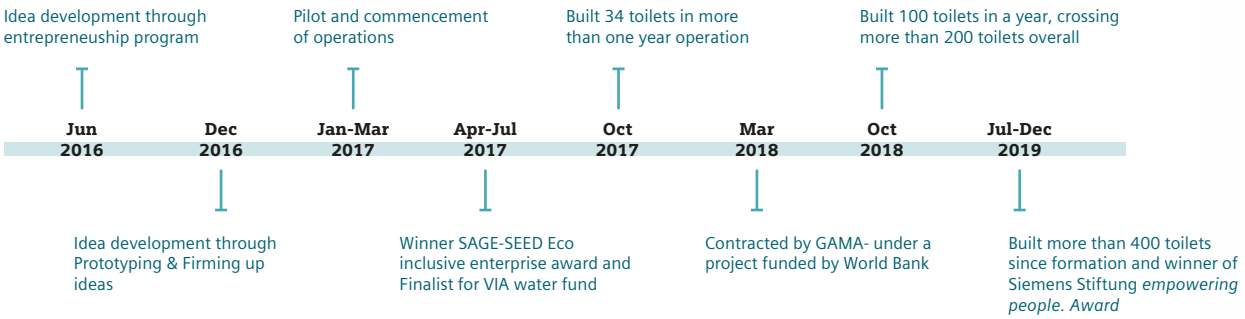


Figure 81:
WASHKing's Journey

WASHKing's value proposition to customers

WASHKing's key differentiation is that it provides a line of quality biodigester fitted toilet facilities, tailored to meet needs and wishes of low-income urban dwellers. Biodigesters are an eco-friendly alternative to conventional septic tanks/soak pits and have the key advantage of limited water usage.

Biodigesters use a bio-matrix to separate solid waste from liquid, with the solid waste further broken down by the bacteria in the bio-matrix. The separated liquid is further treated and leaches away in to the ground; the biodigester toilets also comes with micro-flush that uses only 500 ml water per flush. Unlike the conventional toilet, biodigester fitted toilets require less maintenance and are odor free. Further the biodigester fitted toilets are easy to maintain and they do not require waste removal through vehicles. Also, the toilets can be constructed in areas susceptible to water logging.

Analysis of WASHKing's product range

WASHKing's technology is an on-site toilet treatment technology made up of a substructure known as biodigester and a superstructure which can be built with different materials such as pre-cast slabs, bamboo and blocks. It separates flushed liquid and solid waste using a bio-filtration layer within the biodigester. With the addition of organic enzymes, the feces on the bio-filtration platform is reduced and broken down into manure. The liquid component is treated further and released into a soak-away or leach-field system, or recovered for further use.

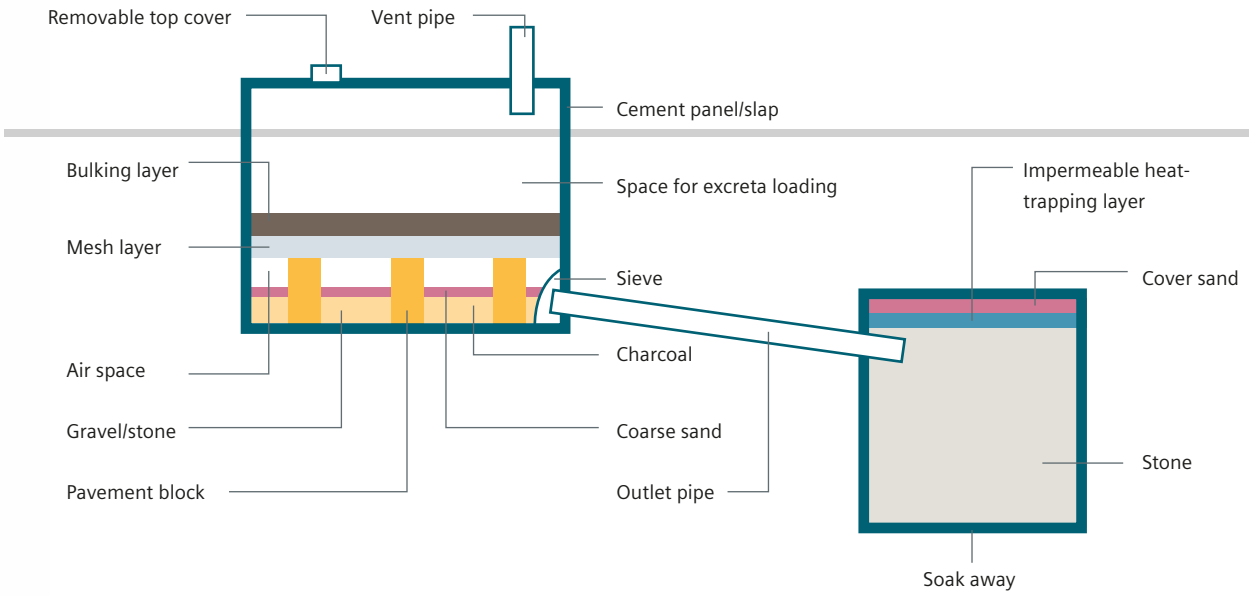


Figure 82:
Schematic representation of biodigester technology

The biodigester is the core technology underpinning WASHKing products. WASHKing has come up with different combinations of biodigesters and offers them both as standalone, core products or in addition to standalone toilets.

Customer Segments

In 2016, WASHKing conducted a primary survey and the outcome of this effort resulted in the identification of three customer segments for WASHKing.

- **Urban low-income households:** From a customer preference perspective, WASHKing has realized that this section of the customer segment is in need of either a biodigester facility or a stand-alone toilet, and they prefer reliable facilities with quality fixtures. It was also found that this customer section is willing to pay a premium if there is flexibility with respect to payment terms. This section can be best reached through direct marketing, door to door campaigns, and media campaigns via local radio, posters, etc.
- **Institutional customers (e.g., schools, churches, and hospitals):** Educational institutions, churches, and small hospitals are examples of institutional customers. These customers typically ordered in bulk to meet institutional needs for sanitation facilities. The institutional buyers are willing to pay a premium price for aesthetics and high quality. Furthermore, they can pay in advance for the construction. Institutional buyers are best reached through direct contact via door-to-door sales pitches.
- **Institutions serving the urban poor:** NGOs (local and international) and international foundations are the key players within this category. With key characteristics of these customers considered, this category of customer is also willing to pay a premium for quality and also purchase products in large quantities. Payments are usually made in installments based on completion of pre-agreed milestones.

Sales and distribution channels

WASHKing's presently relies on its own sales force and third parties such as independent distributors (e.g. sanitation sales agents and local builders), sanitation brokers, civil society organizations, etc. to reach its target customer market.

WASHKing has two modes of reaching out to its end consumers:

- **Direct approach:** In this approach, the WASHKing team directly reaches out to end consumers. There is a set of sales agents and existing customers who act as referral points in the community. Similarly, the WASHKing sales team goes to church assemblies and landlord and landlady associations to generate awareness about their products and service offerings.
- **Indirect approach:** In this approach, WASHKing relies on its partners to reach out to the end consumer. There is a government agency called Environmental Protection Agency- EPA, with which WASHKing has an informal partnership; EPA officers pass on leads to WASHKing in return for a token incentive amount. Similarly, WASHKing bids for work orders from NGOs which are working on sanitation.

WASHKing has constructed over 500 toilets since inception largely through its indirect approach. The majority of these toilets were funded through the ongoing World Bank-funded Greater Accra Metropolitan Area Water & Sanitation program, implemented by Ledzokuku-Krowor Municipal Assembly (LEKMA).

Competitive scenario

Specifically within the biodigester technology sector, WASHKing faces competition from companies like Biofil, Samalex and Ecosafe. In addition, there are public toilet operators and NGOs like People's Dialogue that have adopted different sanitation technologies. Although these competitors pose a challenge, WASHKing competes on crucial customer values such as cost, technology, marketing, reach, speed on delivery, aftercare, etc. For instance, competitors offering biodigester toilets do not offer flexible payment options, focus on the relatively well off, and are often unable to provide the needed maintenance services.

WASHKing's diversification plans

- **Enabling financing options for toilet construction:** The upfront capital commitment requirement as well as limited geographic coverage of subsidy programs limits affordability of customers to invest in constructing a toilet. To address this, WASHKing plans to set up an internal revolving fund to provide financing support to customers. This will be carried out as an activity separate from the marketing and customer relations function to ensure robust credit assessment, monitoring, and collections. WASHKing estimates that it would need capital in the range of 200,000 to 250,000 Ghanaian cedis (USD $34,000-$42,500) to conduct an experimental pilot and assess the viability of this model.
- **Build and deepen service offerings:** A large section of the population is interested in having a private toilet but cannot afford to provide 30% of the cost upfront. This customer segment continues to use public toilets by paying an amount of 50 pesuwas (USD 8.5 cents) per usage. WASHKing proposes to develop a pay-as-you-use model to cater to this customer segment. WASHKing plans to start offering pay-as-you-use toilet facilities with the use of a smart lock technology. WASHKing believes that this can be made to work as a toilet intended for the use of a close ended community. The community members can gain access to a dedicated toilet with the key advantage that no upfront investment is required from the customer. This model also has the benefit of creating additional jobs since there is a need to engage local youth as "sanipreneurs" for managing access to the facility as well as maintaining hygiene standards. This model aligns with the target customers' current behavioral patterns and, hence, there is a chance to scale it up. The key aspects of "pay-as-you-use" model are:
  - Smart Lock Technology: The Smart Lock technology has a scanner which scans a QR code that unlocks the door to access the toilet facilities. The technology is powered by AA batteries and it can also be operated remotely.

- Sanipreneur: These are semi-skilled and unskilled youth who will be hired to manage the pay-as-you-use facilities. The sanipreneurs will provide codes to access the facilities for a usage fee. WASHKing will have a revenue sharing arrangement with these entrepreneurs; the CEO has communicated that the sanipreneurs will receive about 15-20% of the usage fees collected.

The critical points for this service are the need to raise capital to fund the upfront cost of constructing a toilet/biodigester and deployment of Smart Lock technology in day-to-day operation of the facilities. A proposed grant from Siemens Stiftung will enable WASHKing to initiate pilot operations using the smart lock technology and field test the product developed. WASHKing aims to construct over 70 such toilets over the next 12-month period.

WASHKing's job creation impact

Currently, Dieudonne is supported by a small three-member management team: 1) an Operations & Project Executive 2) a Marketing & Customer Relations Executive; and 3) a Finance & HR Executive. Apart from the management team, WASHKing works with a number of skilled local sanitary artisans (masons, carpenters, steel benders, painters, tilers, and plumbers) who build toilets. WASHKing currently employs 13 sanitary artisans on its payroll. If there is a need for additional sanitary artisans to meet customer demand, WASHKing engages with casual laborers on a daily rate basis. WASHKing's business model has the potential to impact job creation in Ghana at three broad levels:

Executive management:

At the executive management level, WASHKing currently employs a three-member management team. WASHKing has recently brought an Operations executive on board to relieve the pressure of operational execution from the CEO's list of responsibilities. WASHKing intends to strengthen the operations team further by recruiting two additional junior team members. WASHKing also has plans to separate HR functions from Finance by recruiting a separate HR lead. From the job creation perspective, within the executive team, there is likely to be an additional three to five personnel by 2025 and, if the enterprise continues to grow at the projected levels, it has the potential to add another five personnel at the executive management level by 2030.

The CEO plans to focus completely on strategic direction, business development, and partnership building. This is a mark of a maturing organization wherein the founder builds institution capacity to ensure both business growth and continuity of operations. However, at the present moment, most of the decision making and institutional knowledge is concentrated with Dieudonne.

Sanitary artisans:

In May 2020, WASHKing converted the contractual relationship with its 13 sanitary artisans into a formal employment relationship. These 13 artisans include seven masons, two plumbers, two tilers, and two painters. WASHKing had, so far, engaged with these sanitary artisans on a daily rate basis and these employees were paid on average 60 Ghanaian Cedis (USD $10) per day. However, under a direct payroll structure, masons on average would be paid 1,500 Ghana Cedi (USD $255) per month.

In the short term, the objective of this is to gain greater control over execution and predictability of skilled labor availability. In the longer term, the objective is to build a more blended execution pool with lower cost trainee artisans working side by side with the more experienced sanitary artisans. WASHKing believes that trainee artisans would be paid less than 1,000 Ghana Cedi (USD $170) per month. At the projected levels of business growth, the enterprise is likely to add another 10 sanitary artisans by 2025 and, if the enterprise is successful in maintaining the growth levels, the enterprise has the potential to add another 15-20 sanitary artisans by 2030.

Sanipreneurs:
The bulk of the job creation impact of WASHKing is projected to occur by the creation of a new breed of "sanipreneurs". These sanipreneurs will be tasked with the responsibility of managing access control, maintenance, and revenue management of the pay-as-you-use toilets that WASH-King intends to deploy with support of Siemens Stiftung. The sanipreneurs will be contracted on a revenue sharing basis and the financial viability of the model will be tested in 2020-21.

Sanipreneurs will be provided a 15-20% commission on each usage and this would provide productive part-time employment opportunities for youth in the community. WASHKing intends to construct 72 pay-as-you-use toilets every year by leveraging Siemens Stiftung's grant support and an estimated 72 youth will be benefitted by this line of business every year. The earning potential of each sanipreneur depends on the number of usages in a month. Assuming that each toilet is likely to serve about 5-8 families (of 4-6 members each) and a per-use revenue commission of 10 Pesuwas (USD 8.5 cents) a sanipreneur is likely to earn between 300 to 700 Ghana Cedi (USD $50 to $120) per month.

If WASHKing continues to establish 72 new pay-as-you-use facilities per year, then the enterprise can create 360 sanipreneur positions within its network. If WASHKing can prove the viability of this model, it can potentially raise more funding, in line with the Siemens Stiftung support, and it can create significantly more direct employment as well as indirect employment in the form of sanipreneurs.

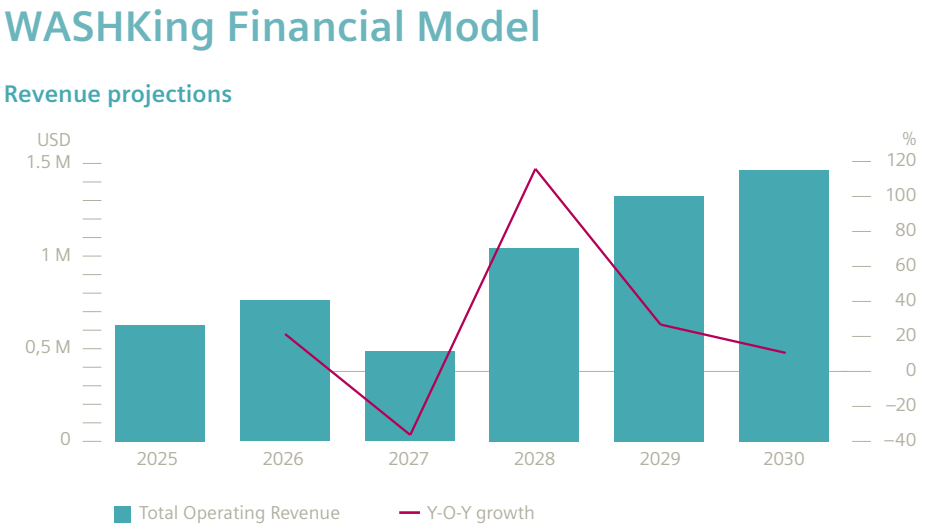


Figure 83:
WASHKing revenue trends (historical and projected)

WASHKing revenues during last three years have been overwhelmingly dependent on one source – partnering with the World Bank's GAMA program. WASHKing's revenue grew by 21% in FY-2018 since it bagged a number of toilet construction projects under the program. Similarly, revenue growth plummeted to -36% in FY-2019 as the GAMA program was in the process of winding down.

Since the GAMA program was extended until December 2020, WASHKing has been able to revive its growth. It has already completed about 100 toilets this year (until May 2020). WASHKing expects to construct an additional 140 toilets in the remaining seven months of 2020 under the GAMA program.

To build sustainability, WASHKing has tried out alternate models of financing and the prominent one among them is the pay-as-you-use model. WASHKing is in the advanced stages of negotiating a grant support initiative with Siemens Stiftung and will allocate a portion of the grant money to set up a revolving fund to construct pay-as-you-use toilets and build capacity to manage the new model.

To grow, WASHKing will also expand operations to six regions in close proximity to existing operations. In the longer term, the enterprise plans to extend operations to the Central and Eastern regions of Ghana.

Funding sources	Projected construction (toilet units)		
	2020	2021	2022
World Bank-GAMA	200	0	0
Philanthropic Foundation	120	380	0
Siemens Stiftung (Pay-as-you use model)	36	72	72
World Bank-Kumasi initiative	0	0	240
Other Programs	0	0	188
Total	**356**	**452**	**500**

Figure 84:
WASHKing projections- unit construction

Composition of WASHKing's expenses

Cost of goods sold: Among the four components of cost structure, direct material is the most significant element of the cost structure followed by labor costs.

- Historically, direct material costs account for about two thirds of revenue. However, in the projection period, WASHKing has altered the allocation of direct material costs to exclude contingencies and commissions. As a result, the share of direct material costs has dropped to just over half.
- Direct labor costs have also come down over time as WASHKing has been able to obtain operational efficiencies and utilize its labor force more effectively. WASHKing also intends to further optimize its cost structure by having a better mix of high-cost sanitary artisans and lower-cost sanitary workers.
- A key reason for the increase in "other expenses" is the indirect selling costs associated with mobilization of customers. As WASHKing is expected to venture more in to direct customer mobilization, there will be substantial indirect selling costs.

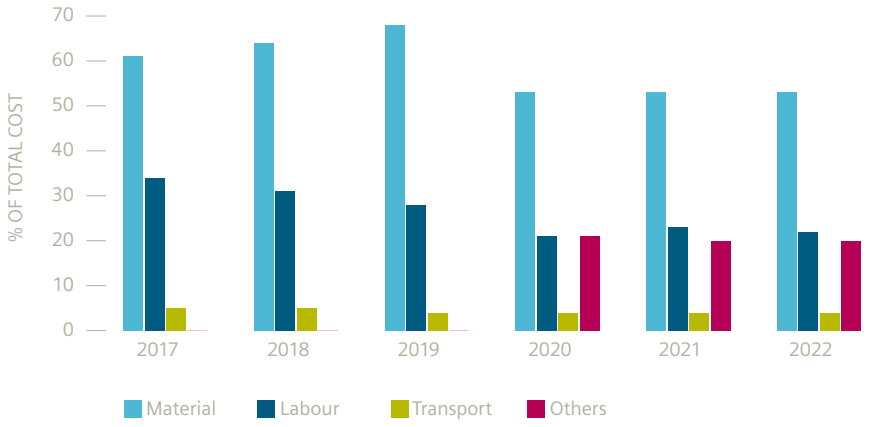


Figure 85:
WASHKing Cost structure trends (% of total cost)

Gross Profit

It is noteworthy that, in spite of a significant fall in revenues in 2019, gross margins have increased substantially to 40%. Two factors contributed to this:

- **Variable nature of cost structure:** In 2019, both direct material and direct labor costs were completely variable. As a result, the operating leverage inherent in the business model restricted the downward pressure on gross margins.
- **One-off advisory revenue:** Recognizing the slowdown in the core business as well as the need to cover the administrative overhead costs, the CEO of WASHKing, Dieudonne, took up consulting assignments that contributed to as much as 11% of the total revenues. This consulting revenue had a direct impact on the profitability as there was no additional operational cost associated with it.

Gross profit margins have steadily improved over the years and are in a healthy range of 25-30%. The gross margins are projected to be in the same range for the next couple of years.

Figure 86:
Gross profit margins (% of revenue)

Capital Structure

WASHKing's business model has been working-capital intensive as, in the GAMA program, only 30% of the construction cost is released upfront. The remaining amount is released in installments post construction. During 2018, WASHKing received a loan of 10,000 Ghanaian Cedis (USD $1,700) from Fidelity Bank, enabled through a Dutch program on water and sanitation. On the basis of a successful repayment history, the credit line from Fidelity Bank has steadily increased over time providing much needed capital support to the business.

The capital requirement of WASHKing has also been sufficiently supported by grants since 2019. In 2019, WASHKing received a grant of €10,000 (65,000 Ghana Cedi) from Siemens Stiftung. Apart from this, WASHKing has also tied up a Ghana Cedi 75,000 grant from Fidelity bank in 2020. This access to debt and grant capital combined with a positive bottom line has resulted in no need for equity dilution to date.

Shareholders equity	2018 (GHS)	2019 (GHS)	2020 (GHS)	2021 (GHS)	2022 (GHS)
Paid up equity	5,000	5,000	5,000	5,000	5,000
Loan from Directors	13,378	37,042	–	–	–
Retained earnings	37,468	99,433	250,889	308,137	463,106
Total	**55,846**	**141,475**	**255,889**	**313,137**	**468,106**

Figure 87:
WASHKing capital structure in Ghana Cedi (GHS)

Impact of COVID-19 Pandemic

The Government of Ghana had only implemented a partial shutdown since the beginning of March 2020 and had made provisions to allow essential services to continue at all times. Maintenance of sanitation facilities and construction of new toilets were classified under essential services and hence they weren't restricted during the partial lockdown. This has resulted in WASHKing being able to deploy 20 toilets a month under the GAMA project in the first five months of the year.

However WASHKing did face operational challenges in terms of:

- **Provision of personal protective equipment:** Sanitary artisans are required to work with protective clothing and sanitizers, which impacted productivity to some extent.
- **Increase in transportation expenses:** Ghana had implemented social distancing norms in public and private transport throughout the country. Because of this, passenger carrying capacity of transport vehicles was reduced to one third, and transport operators increased prices three fold to overcome this burden. This made the daily commute of sanitary artisans from their homes to project sites expensive. WASHKing accommodated this additional cost and eased the burden of the workers.

From a future market outlook perspective, WASHKing may experience a tail wind due to COVID-19. Due to the airborne mode of transmission of COVID-19, the sanitation sector in Ghana is expecting a positive change in consumer behavior. People would be more concerned about personal safety while using public toilets and this safety concern is expected to increase the demand for private toilet construction.

WASHKing's growth opportunities and factors that will drive employment

Factors that will drive revenue and employment growth:

- **Philanthropic capital:** WASHKing's major revenue line has been with projects funded by DFIs. The subsidy provided makes toilet construction affordable for low-income customers. Though the enterprise is piloting alternative models to subsidized toilet construction, the subsidy-driven model will continue to be the major growth driver in the upcoming years. Hence access to philanthropic capital will continue to be a major factor in aiding business growth and employment creation at WASHKing. The company will also depend on grant support to pilot, establish, and scale alternate business models.
- **Consumer behavior change:** The provision of sanitation services is as much a behavioral challenge as it is an infrastructure problem. Consumers of WASHKing are not readily convinced about the need to invest in toilet construction and toilets are not a top priority for them. WASHKing cannot afford to invest in behavior change communication activities. Initiatives to drive behavior change will generate demand for WASHKing products and play a critical role in its business growth and job creation.

Constraints that need to be alleviated to support growth:

- **Working capital:** Since subsidy payments for toilet construction is linked to completion milestones, WASHKing has substantial working capital needs. Interest rates in Ghana are high (~30%) and commercial banks are reluctant to finance small enterprises like WASHKing. Hence, access to working capital support is a critical factor that will aid business growth and job creation in WASHKing.

– **Access to skilled employees:** Apart from the availability of working capital, another critical factor that determines WASHKing's ability to simultaneously execute multiple projects is the availability of sanitary artisans. Expert sanitary artisans command a price premium and there is no readily-available trained pool of sanitary workers. Extensive training will be needed to ensure that a new pool of workers is available to execute construction activities.

Similarly, the success of the pay-as-you-use model is dependent on the availability of entrepreneurial youth who can leverage the earnings from managing toilet facilities to supplement other revenue streams. These sanipreneurs will also need training to manage customers, handle finances, and do basic trouble shooting in case of any technical problems with the solution. Thus, access to skilled and motivated employees will play a critical role in determining business growth and employment creation at WASHKing.

WASHKing's SWOT analysis

Based on our analysis of WASHKing's business model, an analysis of the company's strengths, weaknesses, opportunities, and threats that influence job creation opportunities is summarized below.

Strengths	Weaknesses
• Eco friendly & cost-effective products, customized to customer needs. • A healthy partnership with Local Government Assemblies (LEKMA) enables WASHKing to effectively tap opportunities on the ground. • WASHKing's workforce comprises of a lean senior management team and an experienced execution team. The execution team has been bolstered by the transition of 13 contract-based sanitary artisans into an employment-based relationship. • WASHKing's sanipreneur model has a potential to create part time employment for youths in the community by providing training under experienced sanitary artisans.	• The current business model has a high dependency on subsidies; more than 95% of the toilets built by WASHKing were funded under subsidy schemes and donor support. • WASHKing has to shore up its management and execution capability to scale operations from an average of 20 toilets per month to about 40 toilets per month. Many key HR functions are currently managed by either the CEO or Operations head. • The organization does not have a strategy for employee development and/or employee retention.
Opportunities	**Threats**
• The Government of Ghana is also keen on enforcing sanitation policies to enable landlords/landladies to build toilets. The provision of financing to consumers for toilet construction may spur toilet adoption. The COVID-19 pandemic is also expected to increase the demand for private toilet construction in Ghana. • With the introduction of Smart Lock technology and the availability of pilot funding from Siemens Stiftung, there is potential to implement the innovative pay-as-you-use model that can provide long-term economic sustenance to a new range of sanipreneurs. • The Government of Ghana has plans to fund the Skill Development Fund (SDF). SDF is currently funded by Danish International Development Agency and SDF supports industry-focused, competency-based training programs.	• The Smart Lock technology and pay-as-you-use model have yet to be tested in the market. WASHKing will have to set up robust processes to handle sanipreneurs, monitor operations at scale, and plug revenue leakages. • Well-established competitors like Biofil and emerging smaller ones. • Inadequate availability of sanitary artisans to hire as contract workers. • WASHKing will need to attract affordable-skilled employees for WASHKing's executive team to build management and operational oversight capability.

Figure 88:
SWOT analysis of WASHKing's Business Model

WASHKing's growth model & path to sustainability

WASHKing is a budding social enterprise which is in the process of establishing a sustainable business model. The enterprise is trying out multiple business models of biodigester toilet construction to arrive at a sustainable model. The organization has, so far, relied largely upon subsidies from government sanitation program to construct biodigester toilets, though there is a monetary contribution (30%) from individual households; however, the larger reliance is upon the subsidies (70%).

LONG TERM →

MEDIUM TERM →

SHORT TERM →

	Achieve product-market fit	Scale up viable models	Geographic expansion
WASHKing's business growth model	WASHKing's immediate focus is to align its operations with the needs of the market and funders • Leverage subsidy programs for construction of biodigester toilets • Explore multiple revenue based models like pay-as-you use model to move towards revenue sustainability	WASHKing, in the medium term, could focus on optimizing and scaling viable models • Construct and operate more "pay-as-you-use" models in Accra by standardizing smart lock technology and monitoring of sanipreneurs • Scale up operations of revolving fund • Expansion outside Accra region to acquire access to subsidy programs	• In the the long term, WASHKing can explore leveraging its technology and operational experience by relying on a franchisee network outside Accra & Kumasi • WASHKing provides the technology and design • WASHKing will also provide strategy, marketing and operational advisory support • Franchisee will bring in capital, field monitoring capacity and experience of operating in local context • WASHKing can expand deeper into Ghana on its own strength
Inputs that will aid business growth	• Linkages to sanitation subsidy schemes – Government and development funding institutions • Grant capital from philanthropy for experimenting with non-subsidy models and working capital • Consumer behaviour change for increased demand for safe toilets • Supply of skilled sanitary artisans	• Trained/skilled human resources: executives, sanitary artisans and sanipreneurs • Business development initiatives with NGOs, association of schools, churches and private offices • Patient capital to support scale up of non-subsidy models	• Increased management capacity • Augmented partnerships to facilitate geographic expansion • Legal advice for intellectual property rights protection • HR advisory support to set up right organizational structure • Risk capital- low cost debt to fund working capital requirement
Job creation outcomes	• Generation of revenue sharing job opportunities like sanipreneurs (1 sanipreneur per 'pay-as-you use' toilet) • Generation of seven person days of direct employment for each new toilet constructed	• Addition of 5-10 executives with the commencement of smart lock and revolving fund system • Increase in number of sanipreneurs and increase in sanitary artisans	• Indirect job creation through franchisee model • Increase in number of management executives within WASHKing • Increase in number of sanipreneurs & sanitary
Social & Environmental impact outcomes	• Improvement in access to environmentally & socially safe sanitation and • Improvement in overall health of individuals		

Figure 89:
Summary of WASHKing's growth model

Short-, mid-, and long-term growth objectives

– **Sustenance on subsidy-driven model, exploration of non-subsidy model:** In the immediate term, WASHKing's goal is to leverage the availability of subsidies from a range of governmental and non-governmental organizations to deepen toilet availability in Ghana. Simultaneously, the social enterprise intends to experiment with models that do not rely on subsidies to chart a path to sustainability. However, WASHKing will need support from philanthropic risk capital to successfully carry out its experimentation without running out of capital. One of the potential non-subsidy models is the pay-as-you-use toilet model for which the company has developed a remote lock technology. The company aims to pilot and move towards standardization of this model in the near future.

- **Increased focus on non-subsidy model:** In the medium term, depending upon the availability of subsidy programs in Ghana, WASHKing will continue to rely on subsidy programs to construct biodigester toilets for individual households in regions other than Accra and Kumasi. At the same time, the company will increase its focus on streamlining non-subsidy models by attracting more funds to set up revolving facilities where the fund capital can be used to set up new toilets with returns from the pay-as-you-use operations, funding the construction of new toilets and thus facilitating increased scale of the enterprise.
- **Geographic scale up of non-subsidy model:** In the longer term, WASHKing will reduce its dependency on subsidy programs. The enterprise may spread its operations to other geographies by making use of the technology and operational expertise developed in the Ghanaian context. The franchisee network can help optimal utilization of both capital and management bandwidth.

Inputs that will aid business growth:

- **Philanthropic capital:** To pilot and establish non-subsidy models, WASHKing is in need of grant capital to pilot; especially in the case of the pay-as-you-use model, philanthropic capital will aid in setting up of an internally-revolving fund to finance construction of pay-as-you-use facilities. WASHKing had already secured grant capital funding from Siemens Stiftung to aid this initiative.
- **Working capital:** In the short to medium term, WASHKing will continue to operate based on the subsidy-driven construction of toilets and since payment is provided in a staggered manner after toilet construction, there is a need of working capital financing. Similarly, in the long term, working capital needs will be needed to scale up the pay-as-you-use models as well as facilitate geographic expansion. Since commercial debt interest rates can be as high as 30% in Ghana, WASHKing faces a need for low-cost, accessible funds to fund its working capital requirements.
- **Consumer behavior change:** Many low-income households in Ghana do not perceive the need for having access to a safe toilet to be high in their list of priorities. Mass awareness campaigns and development of targeted behavior change models can aid in changing this state of affairs and spur demand for WASHKing's product(s).
- **Availability of trained/skilled human resources:** The human resource needs of WASHKing are twofold – managerial and operational. As WASHKing's operations become extensive and diverse, there will be a need for instituting an organizational structure that is independent and thus WASHKing will need to attract executives with differentiated skill sets. From an operational perspective, availability of sanitary artisans at different levels of pay scales will be critical to ensure that new construction can proceed apace with a manageable impact on business finances. Apart from the availability of skilled manpower, WASHKing requires HR advisory to support the CEO in organizational polices, structure, and recruitment.

Job creation outcomes:

- **Executives to manage business operations:** As the scale of operations and the diversity of operations increase, WASHKing requires executives to handle additional toilet construction projects and manage new business models. In the medium and long term, the requirement of additional executives to manage different parts of operations ranging from business development, technology development, finance and control, operations management, HR, etc. will be needed.
- **Engagement of sanitary artisans:** WASHKing recently transitioned 13 highly-skilled sanitary artisans from a contractual relationship to an employment agreement. In the longer term, the objective is to leverage this trusted skilled pool to build a more blended execution pool with lower-cost trainee artisans working alongside the more experienced sanitary artisans.
- **Creation of jobs on a revenue sharing basis:** The driving force behind the pay-as-you-use model would be the establishment of sanipreneurs, who will be engaged on a part-time basis and will have a revenue sharing model. In the short term, WASHKing intends to construct 72 pay-as-you-use toilets on an annual basis and thus an estimated 72 youth will benefit from this line of business every year.

IV.

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Imprint

AUTHORS OF THIS STUDY

Open Capital Advidors, Kenya
Open Capital Advisors (OCA) is a management consulting and financial advisory firm that drives growth, enables investment, and builds markets across Africa. We help businesses, investors, development partners, and the public sector identify opportunities and deliver unique, impactful solutions. Since 2010, we have completed more than 600 engagements across 20 countries in Sub-Saharan Africa and for global clients focused on Africa. Our locally based team of over 120 offers experience from the world's top consultancies, private equity firms, investment banks, and development organizations including Boston Consulting Group, Citigroup, Credit Suisse, IFC, McKinsey, and The World Bank.

Emily Barran
Millie Maina
Martin Slawek
Irene Hu
Lisa Kuhunya-Maina
Veronica Omondi
Rodney Carew

Intellecap/Aavishkaar Group, Kenya
Intellecap, a part of the Aavishkaar Group, is a pioneer in building enabling ecosystems and channeling capital to create and nurture a sustainable & equitable society. Founded in 2002, Intellecap works across critical sectors like Agriculture, Livelihoods, Climate Change, Clean Energy, Financial Services, Gender & Inclusion, Healthcare, Water and Sanitation, and has delivered over 500 global engagements across 40+ countries and syndicated investments of over $500 Million USD in Capital. Our common action platform, Sankalp Forum, one of the largest global inclusive development platforms, brings together the ecosystem to shape the way markets work for delivering the SDGs 2030. Intellecap through its presence in India and Africa, provides a broad range of Consulting, Research and Investment Banking Services, to Multilateral Agencies, Development Finance Institutions, Social Enterprises, Corporations, Investors, Policy Makers and Donors.

Mercy Mangeni
Vivekanandhan T
Mukund Prasad
Christine Gachui
Karnika Yadav

Studio Nima
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Dr. Aline Laucke
Leonhard Nima

Project Management
Carola Schwank
Development Cooperation
Siemens Stiftung

About Siemens Stiftung

As a non-profit foundation, Siemens Stiftung promotes sustainable social development, which is crucially dependent on access to basic services, high-quality education, and an understanding of culture. To this effect, the foundation's project work supports people in taking the initiative to responsibly address current challenges. Together with partners, Siemens Stiftung develops and implements solutions and programs to support this effort, with technological and social innovation playing a central role. The actions of Siemens Stiftung are impact-oriented and conducted in a transparent manner. The foundation's empowering people. Network connects inventors and entrepreneurs who have developed simple technical solutions, and helps to expand their social impact in developing regions. By initiating new forms of collaboration and technology transfer, it supports its members on their way to scale, replicate and expand.
www.siemens-stiftung.org

Liable for the content
Siemens Stiftung
Rolf Huber, Managing Director
Kaiserstraße 16
80801 Munich
Phone: +49 89 / 54 04 87-0
info@siemens-stiftung.org
www.siemens-stiftung.org

Editing
Dr. Aline Laucke, Studio Nima
Leonhard Nima, Studio Nima
Carola Schwank, Siemens Stiftung

Design
hesh.design
Goebenstraße 19
65195 Wiesbaden
Timm Fleckenstein
Melina Schmidt
Daniel Herbert

Siemens Stiftung

Kaiserstraße 16
80801 Munich
Germany

Info@siemens-stiftung.org
www.siemens-stiftung.org