

Contextualizing and Shaping Social Entrepreneurship in Africa: Susie Kitchens

I am delighted to be invited back to Tangaza University and the Second Annual Africa's Conference on Social Entrepreneurship.

The African narrative is shifting from aid-led solutions to enterprise-led solutions to development problems. Development assistance has a vital role, but alone it cannot address social and economic problems fast enough, or at the scale required.

The private sector is part of the answer, but often it doesn't reach the most marginalised parts of society and geographies. As the brilliant development economist Paul Collier describes: private sector companies need the public sector to bear some of the risk in getting to the most challenging areas. Even CSR interventions are often not scalable nor sustainable given they are loss-making.

Social enterprise is the bridge between aid and enterprise. And it's not just us in this room who might think so: The latest report from the Global Impact Investing Network tracks \$355bn invested in social enterprises.

Social Enterprise is defined by the Global Impact Investing Network as: **building innovative sustainable businesses that are creating positive social change.**

Social enterprises combine the best parts of what non-profits and regular companies have to offer by focussing on the triple bottom line: profits, environment and social impact.

Let's unpack that triple bottom line:

Profits – profits are derived by creating a business that is more successful than its competitors, which often means it is innovative.

Environmental – this reflects the intrinsic value of sustainability to the social enterprise movement

And **Social impact**, which at its most basic level means creating jobs and do no harm.

It's pretty easy to tell if a business is **profitable**. Comparing money **in** to money **out** is a blunt but effective measuring tool. A business that is not profitable – no matter how environmentally sound or socially responsible it is - will fail. But what about the other components of a social enterprise? As the social enterprise business model is relatively new, there is a limited body of evidence against which to test success. But there is a growing range of tools and instruments available to measure social enterprises.

These tools can help us to judge whether a business is innovative and environmentally sustainable, and whether it is creating positive social change through jobs or other means. I am pleased to see you will be **discussing Measuring and Reporting Social impact** later in the conference.

Last year at this conference, I spoke about the 5 key elements of an entrepreneurship ecosystem: Universities, Entrepreneurs, Corporates, Risk Capital and Government. This year, I would like to build on that, and examine how this model of an ecosystem relates to social enterprise specifically. And I will provide examples of how the UK is working in partnership with Kenya along the way.

Entrepreneurs

I make no secret of the fact that entrepreneurship was the reason I chose to live and work in Kenya. Not the elephants much as I love them, or the beautiful sunshine, though that helps. But after spending many years in the US and the UK immersed in cutting edge innovation-driven entrepreneurship, Silicon Savannah was my next frontier.

I have had the privilege to meet Kenyan entrepreneurs across the country now: notably here in the blooming number of hubs and incubator spaces across Nairobi; at SwahiliBox in Mombasa and EldoHub in the Rift Valley. The range of ideas, their ingenuity, their hustle - never fails to impress.

Entrepreneurs are vital to the social enterprise space. We need people who will question, disrupt, not accept the status quo. Who are determined to find solutions that make our world better as well as make money.

The UK is supporting entrepreneurs to work in Social Enterprise in a number of ways:

Through the British Council's **Social Enterprise Leadership Programme**, we are working with leading civil society organisations at the community level. The programme has reached 90 social enterprises through its business support services, they have worked with 43 CSOs, equipping 82 master trainers which have so far reached 1,343 community leaders

Through the UK government's Science and Innovation network and the Kenya National Innovation Agency, we deliver an annual Leaders in Innovation Fellowship programme. The programme creates international networks of innovators and technology entrepreneurs, including an intensive study course in the UK mixing with innovators and enablers from around the world.

I would like to highlight a recent examples of social enterprises we have supported recently, with a particular focus on supporting Disabilities: People living with disabilities are often marginalised from opportunities and face particular challenges not addressed by the mainstream services. This presents problems that social enterprises are well-placed to address.

Roy Allela from Sign IO has designed a special glove that translates sign language to speech. It was developed to address the language barrier between sign language users and the general public.

More than 30 million people in the world have speech impairments: this enterprise can help integrate them more widely into a society dominated by people who do not use sign language, thereby opening up the potential of these 30m people. That's a big market and a massive impact from something as simple as a wired up glove.

14 Kenyan innovators have participated in the Leadership Innovation Fellowship programme and the next call opens in late October.

Staying with Science, we also partner with the UK's Royal Academy of engineering to support their **Africa Prize for Engineering Innovation**

This prize aims to stimulate, celebrate and reward innovation and entrepreneurship in Sub-Saharan Africa. It encourages ambitious and talented engineers from all disciplines to apply their skills to develop scalable solutions to local challenges.

The programme started in 2015 and so far 39 entrepreneurs - mostly Kenyans - have participated in the programme.

A great example of a social enterprise supported through this programme is the **Mkononi Tank Monitoring System**. It monitors water levels, leaks, valves and pumps via a mobile phone app in order to quickly identify water wastage.

Limited access to water affects over 16 million people in Kenya, and 300 million people in sub-Saharan Africa. Better access to information within the water value chain will greatly alleviate this problem in the African water sector. A fine example of a social enterprise driven by environmental and social considerations, built on a fundamentally sound business model.

A third example of how the UK is supporting entrepreneurs working in social enterprise in Kenya, is through our department for International development (DFID) and the new Jobs programme we launched last month. Over the next 4 years, with £5m funding, we will be working in Kenya to test innovations that have the potential for large-scale job creation.

We are looking to support innovations that will unlock barriers in productive sectors and generate employment particularly amongst the most vulnerable. We will have a Lion's Den style competitive process to select ideas.

We will give funding and technical assistance to the selected ideas, in order to test their potential to create productive jobs. We will then find ways to link these enterprises with private or public investors and relevant enterprise support organisations to ensure their scale and sustainability.

So, tonnes going on with entrepreneurs, and I'll be happy to share details of how you can follow up on these opportunities.

Universities

The second of the five key actors in an entrepreneurial ecosystem are the Universities. Universities are the perfect petri dish for developing social enterprises.

They bring together bright, inquisitive people, they combine multiple disciplines so scientists meet artists meet business people meet politicians and so on.

Universities also provide the infrastructure to help fledgling enterprises learn how to translate their dream into reality. And they can provide the machinery and expertise to turn concepts into something tangible

The UK is proud to partner with many Kenyan Universities, and their role in supporting Social enterprise.

The British Council's Social Enterprise programme has a core strand on **Capacity building and education systems**. This programme ensures that support for social entrepreneurs is embedded in their practice. We provide content, skills exchanges and best practice showcases, working with UK excellence in this field.

Through the UK's Department for International Development, we support an East Africa research hub.. In relation to Social enterprise, the EARH supports African research leadership. It is helping to develop skills for world class research.

Effective, dynamic knowledge systems play a critical role in creating a culture of evidence-informed thinking, building human capital, supporting social change and contributing to economic development.

All of this helps to create the conditions in which social entrepreneurship is fostered.

We calculate there is at about £100m of **UK research funding** in Kenya, spent in partnership with Kenyan institutions, thereby supporting development of capacity to identify African solutions to African challenges.

Risk capital

The third actor in the entrepreneurship ecosystem is risk capital. The need for appropriate capital across the risk-return spectrum is perhaps the most common challenge noted by social enterprises.

Where I work, at the British High Commission in Nairobi, we are rapidly increasing our understanding of, and ability to mobilise blended finance.

Blended finance is a strategy that combines capital with different levels of risk in order to catalyse risk-adjusted, market-rate seeking capital into impact investments.

The blend of **public grant financing**, by which I mean traditional donor money, which does not expect a return - no profit - with **private equity**, which is sustainable through market forces because it does expect to make a profit, is vital to social enterprise.

The public funding helps to de-risk: it takes the hit to open up a market that doesn't seem to be a profit maker. Once it has made that first move, the more risk-adverse private sector will see potential where before it saw none.

This then helps attract funding for large-scale high-impact investing, and the wider benefits that brings – such as a mix of skills and expertise from across different organisations.

I'd like to talk about Sanergy as a great example of this. Sanergy's founders saw a big problem in Kenya's informal settlements: poo. The flying toilets of Kibera. Through some donor grants they researched the market: what solutions were practical, would be accepted by the community. How much money were local people ready to spend on a solution? How many toilet units were needed to make a viable business?

The initial research led to a pilot. The pilot led to a business and the business is now scaling through a mix of grants, investments, donations and government support. The risk capital made it happen: the result is a huge improvement in the lives of thousands and a step towards tackling some serious public health and well-being challenges.

Corporates

The fourth actor in the entrepreneurial ecosystem is the corporates.

Social enterprises are generally pretty small. There are 44,000 active across Kenya, and many employ only a few people, working a local scale that feels a world away from the Corporate world. But the big corporates are crucial to the business model.

Many entrepreneurs dream of a start up that will disrupt the big corporates. Think how Amazon started out nibbling at the toes of the big brand shops. But the corporates need not be the enemy. Large corporations are a source of opportunity for the social entrepreneur.

Firstly, they set the standards:

The British Chamber of Commerce represents some of the biggest companies in Kenya. The UK is the largest cumulative investor in Kenya's private sector. 1 in 10 Kenyans with a formal job work for a UK company.

Amongst these are some familiar brands and they take their brand reputation seriously. Unilever for example, has been voted again the best employer in Kenya.

In order to continue their success they must look after their markets as well as their profits. Nodor Darts, a small British company based in Athi River produces 65% of all the match quality dart boards worldwide. They use 90% of Kenya's sisal crop to produce these boards, so they invest heavily in their supply chain of sisal farmers, ensuring strict conduct of employer fairness, environmental controls, and safety standards.

Second, the corporates **create opportunities to commercialise innovations**

For example, take the BBC, the British Broadcasting Corporation. A household name. If the BBC puts its weight behind a social enterprise, it can be a huge boost. I recently went to an event showcasing a BBC Virtual reality film: an incredible experience highlighting some major environmental issues across Africa. The company that they used for the VR goggles was a local Kenyan enterprise: Black Rhino. That kind of partnership can be invaluable in establishing credibility and market awareness.

Thirdly, big corporates represent blocks of talent, experience and business know-how. It is a different skill set from the self-starting disrupter personality type you see in entrepreneurs. But diversity is a wonderful thing! Corporates know they must innovate or die, so they are keen to learn from entrepreneurs. In turn, entrepreneurs can benefit from the depth of knowledge and skills of the corporates. Member organisations of the British Chamber of Commerce in Kenya are very keen to support a two-way exchange of ideas and skills. We hope to formalise a mentoring system between the BCCK and young social entrepreneurs soon: watch this space!

Governments

Finally, we come to **Governments**, the fifth actor in the social enterprise space.

Often entrepreneurs think the best thing governments can do is get out of the way. I don't agree. Governments have a significant role to play in enabling Social enterprise.

Governments are responsible for **company law**. In the UK we have amended our laws so that business must demonstrate diligence to social and environmental responsibilities: this came about through evidence and advocacy from the UK's Social Enterprise organisation – a partner and friend to SESOK.

Governments can also use the **tax revenue system** to incentivise social enterprise. They can reward businesses that protect the environment, and present incentives to businesses to offer services to marginalised markets.

And governments can also encourage **education** in the public school curriculum about social enterprise. Though I think the hustle is in the blood here in Kenya, so I'm not sure you need that!

The British Council programme has been supporting governments and policy influencers to create an enabling environment for social enterprise and other inclusive economies innovation, working in collaboration with UK stakeholders.

This programme has inspired action towards developing social enterprise policies at the county level in Makueni, Embu, Bungoma and Kajiado.

I have talked through how the UK is partnering with Kenya to promote and support social enterprise:

- Through entrepreneurs who need skills, contacts and recognition
- Through universities via research grants, curricula and scholarships
- Through risk capital blending high risk public sector grants with risk averse but sustainable and scalable private money
- Through corporates who can share knowledge, supply chains and set industry standards
- And through governments who shape the business environment, and set incentives for socially and environmentally responsible behaviour.

Social enterprise is a great business model for the 21st century. The latest reporting from the UK shows Social Enterprises are contributing £60bn to the UK economy: that's 3%, three times as much as agriculture. Social enterprise provides employment for 2m people, 5% of all jobs. Kenya is on a similar trajectory: keep up the good work.