Social Enterprise Ecosystem Country Profile
KENYA

WORLD BANK GROUP

Acknowledgments

This report was prepared by Cristina Navarrete Moreno (Private Sector Development Specialist) and Natalia Agapitova (Senior Economist). However, without the contribution of several colleagues the report would have not reached its final form. Therefore, we are grateful for the help of Elaine Tinsley, Belen Sanchez, Marta Milkowska, Ergun Ertekin, Juan Carlos Guzman Hidalgo, Branislav Kralik, Niharika Hanglem, and Pallavi Shrivastava.

The report uses data and information gathered by Endeva and BoP Learning Lab. We wish to acknowledge the great inputs received and the particular effort of Sara Balan (project manager, BoP Learning Lab) and Christina Tewes-Gradl (project director, Endeva). Sharon Fisher provided editing and design support.

Overview

In Sub-Saharan Africa, with 388 million people living on less than the poverty line of USD 1.90 per day and rapid population growth, the challenge for the public sector to deliver services will only grow in the coming years.[1] So far, traditional actors, including governments, civil society, and the private sector have been unable to solve the problem of providing essential, quality services, such as access to water, energy, sanitation, education, and health care.

In this context, social enterprises (SEs) have emerged as a new type of development actor with the potential to help solve the service delivery gap. During the last decade, SEs in Africa increasingly address service delivery gaps for the poor in novel ways, with Kenya and South Africa among the leading countries in the SE sector.

SEs are privately owned organizations—either for-profit, non-profit, or a hybrid of the two—that use business methods to advance their social objectives. They focus on maximizing the social and environmental impact for their target beneficiaries in contract of maximizing the short-term profits for their shareholders and private owners. Due to their strong presence and understanding of local communities, SEs are often able to reach underserved populations through flexible and innovative business models.

Although positive examples abound, SEs have not yet fully realized their potential in Africa. With variations across sectors, many SEs struggle to scale-up and develop sustainable models. SEs face high barriers that are often aggravated by the difficult markets they serve. Common challenges include unconducive regulation and policy, lack of financing solutions, weak infrastructure and human capital, and a lack of information and networks. In addition, SEs are not organized as a sector and fall between traditionally recognized public and private organizations. The public sector often does not play a catalytic role.

The SE ecosystem is comprised of actors, institutions, and network that support SEs in contributing to development goals. In many developing countries, the SE sector still lacks a supportive ecosystem, or enabling environment, which would allow these organizations to thrive and grow. Four ecosystem dimensions capture the enabling environment for SEs: policy and regulation, financing solutions, infrastructure and human capital, and information and networks. Where these dimensions are improved, SEs can significantly contribute to a service delivery challenge.

In developing countries and in particular in Africa, there is limited data collected and analyzed on existing supporting factors, challenges, and opportunities for the SE sector. This report profiles how SEs across seven African countries—Kenya, Malawi, Rwanda, South Africa, Tanzania, Uganda, and Zambia—address service delivery gaps for poor populations and assesses the status of their SE ecosystems. The report targets development practitioners involved in policy design and implementation who are interested in new ways to address service delivery challenges. These specific examples of challenges and opportunities for SEs in Africa can highlight ways to increase the sustainability and scale of current and future SE business models.

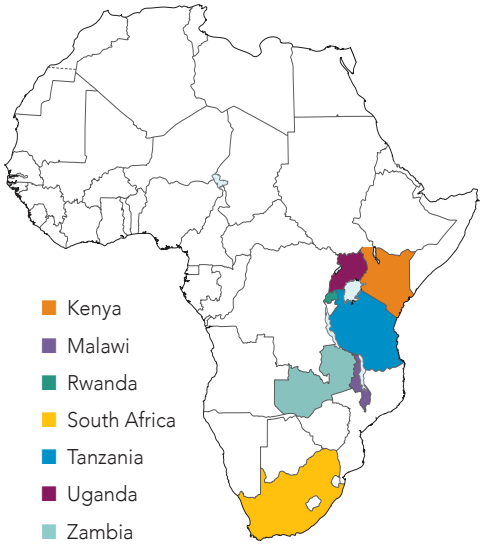
[1] Beegle, Kathleen; Christiaensen, Luc; Dabalen, Andrew; Gaddis, Isis. 2016. Poverty in a Rising Africa. Washington, DC: World Bank. https://openknowledge.worldbank.org/handle/10986/22575.

Geographic

The report focuses on seven African countries: Kenya, Malawi, Rwanda, South Africa, Tanzania, Uganda, and Zambia (Figure 1). These countries represent:

- Different levels of socio-economic development.
- Different stages of SE development and ecosystem support.
- Two regional clusters to test for regional patterns and potentially allow regional knowledge sharing and learning.

Figure 1. Focus countries in this report



Service Sectors

The report covers four basic service areas: education, energy, health, and water and sanitation. These basic services lay the foundation for alleviating poverty, reducing income inequalities, and ultimately contributing to each country's socio-economic development.

Beneficiaries

The report considers target beneficiaries for SE activities as underserved, low-income populations representing the Base of the economic Pyramid (BoP), living on less than USD 1.90 per day in 2015 (the World Bank Group's poverty line at the time of starting the research).

Analytical Framework

In this report, the ecosystem framework consists of four parts: demand, supply, SE situation, and ecosystem dimensions. SEs are at the heart of the model (Figure 2).

SE opportunities for providing services depend on the *demand* by the BoP and the existing *supply situation*. The four ecosystem dimensions influence the ability of SEs to operate effectively and scale up. The ecosystem framework guides the analysis at all levels: country, service sector, and service sub-sector. Table 1 describes each element in more detail.

Figure 2. Ecosystem framework

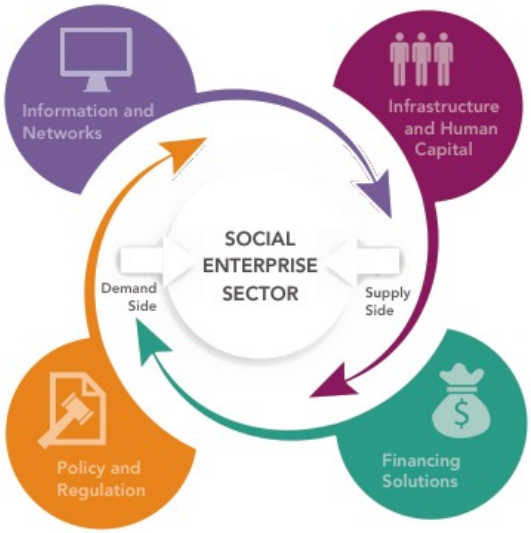


Table 1. Four parts of the ecosystem framework

Demand	• **BoP needs:** What are the development challenges and unmet needs for the BoP? • **BoP market:** What are the volume and dynamics of the current BoP market? What are the main challenges related to the 4 A's: awareness, accessibility, affordability, and acceptance?
Supply	• **Public supply:** What is the structure and level of current public supply for the BoP? What are supply gaps and challenges? • **Non-public supply:** What is the structure and level of current non-public supply for the BoP? For example, from NGOs or the private sector. • **Donors:** What role do donors play in the sector?
SE situation	• **SE understanding and presence:** How many SEs are there? How are they perceived? • **Type:** How big are they? How are they organized? What is their level of maturity? • **Value chain:** What are typical activities in the value chain? In which service sectors and service sub-sectors are SEs active?
Ecosystem dimensions	Ecosystem dimensions capture the enabling environment for SEs. This includes dimensions that are specific to SEs and dimensions that determine the viability of market-based approaches more broadly. • **Policy and regulation:** What are the main policy drivers or barriers for SEs? Including policy strategy, regulation, and level of public-private collaboration. • **Financing solutions:** What are the sources of funding for SEs as well as for their clients? Including commercial funding, consumer finance, and grant funding. • **Infrastructure and human capital:** What are important infrastructure issues that affect the operations of SEs? What is the skill level available for SEs? Is the sector able to attract relevant talent? • **Information and networks:** What organizations, incubators, networks, training, etc. are available to build awareness, knowledge, and capacity among SEs, or advocate for SEs?

Data Collection

Endeva and BoP learning labs conducted desk and field research to map the SEs and ecosystem dimensions. They based the SE mapping on publicly available resources and desk research, which was supplemented with semi-structured interviews with SEs and local stakeholders representing different parts of the ecosystem. Accordingly, the sample size for each country varies in the report.

The information is based on:

- 59 interviews with SEs
- 140 interviews with stakeholders
- Interviews with BoP service users
- A database with 271 SE examples

Social Enterprise Ecosystem Country Profile

KENYA

Kenya is a test bed for many SEs, several of which have recently scaled and are serving as inspiration for other countries. The SE ecosystem is characterized by a positive view on private sector engagement, many support entities, but low public recognition of SEs as a distinct type of venture.

Policy and Regulation

- Positive, but often hands-off, policy approach towards the private sector.
- Public Benefit Act has been discussed and could impact the legal form for SEs, but process has stalled.
- Many PPPs in Kenya, but current pause in several sectors.

Infrastructure and Human Capital

- Many SEs are tech-based in Kenya and are leveraging high mobile penetration rates.
- SEs in Kenya attracts many expats, but have a harder time recruiting local talent.
- There is a diverse supply of capacity building for SEs in Kenya, most is SE. relevant, but not SE specific.

BoP Need and Demand

- Kenya is similar to South Saharan average except in energy sector where Kenya lags behind.
- BoP demand for services varies across sectors, with lowest demand for sanitation.

SE Situation

- Low SE understanding among policy makers and public, but high level of SEs operating.
- Kenya hosts pioneering SEs across all service sectors. Water and sanitation has fewest SEs, but is still ahead of other countries.

Supply to the BoP

- Public service varies across sectors, from very low urban water provision to widespread education services.
- Diverse non-public service providers play strong role across sectors.

Financing

- Kenya has a rich landscape of grant making organizations.
- Impact investing market is among the most developed in Africa.
- Pioneering financing mechanisms are developing in Kenya, including mobile payment schemes.

Information and Networks

- Research on SEs is growing from a low starting point.
- Few SE specific networks exist, but SEs leverage other networks.

Study background

This profile is part of the *SE ecosystem mapping*. SEs are defined as non-public providers of services to low-income populations, based on a sustainable revenue model and a social mission. The profile maps the *ecosystem* for *SEs* in Kenya based on a guiding framework that identifies key elements of the SE ecosystem. The profile supplements service profiles *and* a *report* with cross-cutting analysis. The service areas are:

- Education
- Energy
- Health
- Water and sanitation

The profile is based on desk research and interviews with local experts and SEs conducted in summer 2015. Unless otherwise noted, information provided in the profile is based on research and interviews. The list of interviewees is provided in the annex.

Country facts[2]

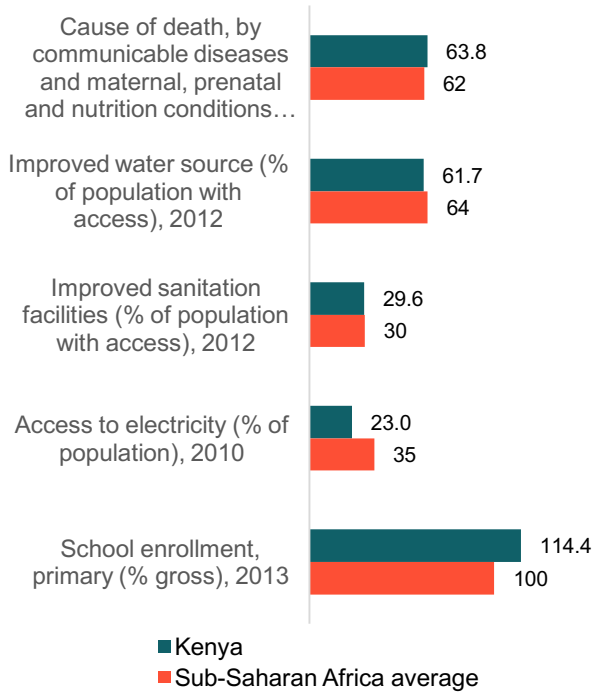
- **Population**: 44.5 Million (2014)
- **BoP < USD 1,25 per day:** 15.5 Million **(2005)**
- **GDP per capita PPP**: USUSD 2795 (2013)
- **Average GDP growth, 2009-2013**: 5.6 percent

NEED AND DEMAND FOR SERVICES

BoP needs

Kenya has around 44.5 million inhabitants (2014). The annual population growth in 2009-2013 was a moderate 2.7 percent on average. Even though a relatively large number of people live on less than USD 1.25 a day (15.5 million in 2005), the share of the population who are poor is not as high as in other Sub-Saharan African countries studied (e.g., Malawi or Zambia).[3] There are BoP service challenges across all four sectors (education, energy, health, water and sanitation). Across the country, only 23 percent of the population had access to electricity in 2010, and only 8 percent in rural areas.[4] Approximately 30 percent of the population has access to improved sanitation facilities, while the situation is better for water, where 62 percent have access to an improved water source (82 percent in urban areas and 55 percent in rural areas). The main BoP challenge in the education sector is access to high quality education despite high investment and free public schooling. Availability of health services for the BoP also remains a challenge, which has been exacerbated by implementation of devolution.

Figure 3. Key indicators of access to basic services in Kenya (Source: World Bank data)



[2] World Bank, World Development Indicators Database. http://data.worldbank.org/data-catalog/world-development-indicators.

[3] World Bank, World Development Indicators Database. http://data.worldbank.org/data-catalog/world-development-indicators.

[4] World Bank, World Development Indicators Database. http://data.worldbank.org/data-catalog/world-development-indicators.

The BoP demand for services vary across the four sectors. Within health and education the BoP relatively often turn towards low-cost private options, including faith-based providers, private schools, and health providers. In rural areas water is often seen as a public good, while urban BoP are used to paying for water. Here markets are often informal or NGO's provide free services, which means that water markets can be hard to access for SEs. In the energy and sanitation sectors, new technology or products have been introduced. Acceptance and affordability have been bottle-necks in these two sectors resulting in slow product adaptation and many failed SE attempts. For some products BoP markets are however changing. In the BoP market for solar energy awareness activities combined with new mobile based financing models are lowering the up-front economic threshold and boosting demand.

SUPPLY OF SERVICES

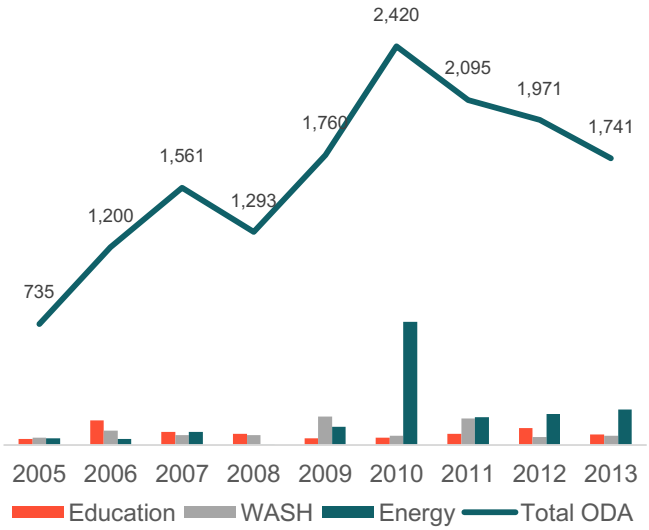
Supply by the Public Sector

Public supply varies across the sectors. Kenya has been able to improve BoP primary school attendance through free access, but has large quality problems in the school system despite high investment. The ongoing devolution process (see Policy Strategy) is challenging the public health system and many public hospitals suffer from a shortage of medical supplies and understaffing. In off-grid areas, public energy supply is almost non-existent, but heavy investments are made within energy, which will likely also affect BoP access over time. Public water supply and sanitation in Kenya are characterised by low levels of access (approximately 38 percent of the population does not have access), in particular in urban slums and in rural areas, as well as poor service quality in the form of irregular water supply. Water supply is a significant public delivery challenge due to unpredictable weather patterns causing droughts and water shortages. Kenya has low renewable water sources and is considered to be a water scarce country. Sanitation challenges caused by urban migration and lack of water will be a growing challenge to the public infrastructure.

The Role of Donors

Kenya has been a magnet for many donors. In recent years support has however fluctuated due to corruption scandals and shifting relations with parties in office. The government also increased focus on controlling donor support for non-public organizations or programmes. Many donors are working within each service sector and are also generally supporting private sector development and especially SME development. Total ODA commitments in Kenya reached their maximum in 2010 and has been declining since then. The energy sector has been receiving the most support recently, compared to education and WASH.

Figure 4. Kenya ODA commitments, million USD (Source: OECD statistics)



Supply by NGOs and Other Actors

Across the four sectors there are and have traditionally been many non-public stakeholders involved in BoP service provision. Private providers range from a multitude of informal market players with small-scale operations and in some cases (e.g. in slum areas) larger-scale informal operations. These span all sectors including informal schools, makeshift health clinics or traditional medicine providers and informal water vendors. These informal markets play an important role for BoP service provision, but are not seen as SEs and are rarely scalable ventures. Beside the informal sector many private companies are providing affordable services, for

example low cost schools, sanitation products and services, low cost health facilities etc. Faith-based organizations and a large number of NGO's and community organizations add to the complex landscape of non-state service providers in Kenya.

Supply by SEs

According to several respondents, the term social entrepreneurship has '*arrived after the fact in Kenya*.' They reference the strong tradition for faith-based organizations and different types of community based organizations, which combine a strong social mission with revenue-based models. Charter schools and faith-based health clinics are examples of long-standing service delivery mechanisms for the BoP driven by social aspirations. The underlying idea is hence rooted in society, but not coined as social entrepreneurship.

As a regional hub Kenya and Nairobi is often chosen as a starting point for ventures with East African ambitions or for regional events (e.g. SEED award). There is a large and growing international community of SEs in Kenya. This core circle of SEs has a strong SE identity and has close ties into the international circuit of SE stakeholders.

The local perception of the SE term varies and is not used frequently. If presented with the concept an average Kenyan often equates it with an NGO type organization, which is not always favourable in a country with strong business and career focus. A respondent supporting SEs said organizations he worked with rarely use the term, but identify themselves as such when he explains the concept and sometimes also express gratitude for being recognized as something distinct. Several respondents emphasized that Kenyans with 'good ideas and values' miss donor-funding because they are focused on 'sales, sales, sales' rather than SE-branding. For some local stakeholders the solution is supporting these ventures on messaging, while others saw the term as a new foreign concept being imposed on Kenyans. A growing number of SE education programmes are driving local SE awareness among young professionals entering the job market. This will likely affect the Kenyan SE scene in the comings years with more Kenyan bred ventures.

Regardless of terminology, there is a wide variety of SEs in Kenya, which makes Kenya by far the country in East Africa with the most developed SE landscape. Until recently there were numerous SEs, but still few examples of scaled models (beyond FBOs). Recently, SEs such as Bridge International, M-Kopa, DLight, Tunza health clinics are, in the words of a respondent: "moving from a drop in the water to a splash". Common for these SEs are that they have reached economies of scale, which can justify low margins. Several quote recruitment of high-level business people into these SEs as driving factors for their success. Besides the notable exceptions, the vast majority of SEs are small and face challenges scaling and developing sustainable models.

Table 2. Main types of SEs in Kenya

Type of SE	Description
Local business SE	A number of often small locally based companies serve BoP communities in Kenya. These are regarded as normal private entities, but constitute a grey zone for SE activity. A number of these companies are driven by respected community members, which feel a strong social commitment to their clients and largely meet the SE definition. By offering step-wise payment, informal tiered pricing, in-kind payments or free services for the poorest, they play an important role in service provision for the local BoP, but rarely self-identify as SEs.
Born SEs	A new breed of SEs have emerged in recent years, which embrace the SE terminology. Many of these are founded or operated by expats. Some are subsidiaries of international NGOs, while others have been started by fresh

	graduates from prestigious educational educations or by seasoned professionals who have traded in their corporate career. A growing addition to this group are tech-SEs. Kenya's growing tech-scene emanating from IhUb and other incubators have generated a number of SEs that are leveraging technology to improve BoP service delivery in different ways. The SEs range from low-cost patient management, payment systems , awareness raising, and tele-health. Some are businesses, while other operate as NGOs.
MNC spin-off SEs	Big organizations such as Total, Philips, and Grundfos are allowing intrapreneurs to develop BoP units with social ambitions and more patient capital return requirements. Philips for example sells solar systems and cook stoves in Kenya and has based its Pan-African *Africa Innovation Hub* in Nairobi, which works on affordable innovations within health and energy. These SE type units can draw on the muscles of the large organization, but are to varying degrees able to innovate their business models and offerings to suit BoP needs.
Faith-based SEs	Faith-based organizations are prevalent especially within health and education, where they are important players in the sectors.
Traditional NGO SEs	A growing number of NGOs are either developed as SEs or develop SE subsidiaries. For some the dwindling donor funding seems to be a push factors, while others quote a general shift in development thinking towards more sustainable and revenue driven models.[5]
Community-based organizations and cooperatives	Within agriculture and tourism in Kenya community-based SEs and cooperatives play a significant role. Within the more service-focused sectors in this study, these models are less prevalent. In the water-sector, community-based models, which have SE elements, can be found.

There are SEs across the four sectors and across the value chains in each sector, with slightly fewer SEs in water and sanitation. Compared to the other countries in the study Kenya is far ahead on the level of SE development across the sectors.

Table 3. SE activity level and examples in Kenya across the four sectors

	Health	Water and sanitation	Energy	Education
SE activity level				
SE example	**Business Area** Tunza Kenya, launched in 2008, is a social franchise initiated by Population Services International/ Kenya (a health marketing company). Tunza partners with select	**Business Area** Ecotact is a SE and developed the Ikotoilet. Ikotoilets offer well-maintained bathroom facilities, sinks with clean water and soap, showers and toilets. Apart from the toilets, the buildings	**Business Area** Envirofit Kenya provides smokeless cooking stoves (the stoves are insulated to avoid smoking). The stoves are efficient: they save fuel, allow to cook	**Business Area** Educate! focuses on delivering leadership and entrepreneurship training to secondary school pupils. It also provides a mentor focused on

[5] Some NGOs have developed revenue sources, which are decoupled from their operations (hotels, etc.). These are not seen as SEs. Red Cross, for example, operates hotels in Kenya.

	private health providers across Kenya which they support and certify for certain services. **Type:** Tunza is a network of private clinics.	also house other facilities, such as convenience stores, money transfer shops, etc. The service has reached more than 10 million people since its creation. **Type:** The company was founded in 2006 and is a for-profit enterprise.	faster, and reduce toxic emissions. The cost of stoves ranges from KES 200 to 4,000, and customers pay in full. 200 people have accessed the service so far. Envirofit plans to install 1,000 stoves in Kenya by the end of 2015. **Type** Envirofit is a for-profit international organization established in 2003.	practical issues and delivers training on how to start a business. The company is trying to integrate its model into the public education system. **Type** Educate! is a not-for-profit, non-governmental organization.

Social Enterprise Ecosystem

POLICY AND REGULATION

Policy strategy

There is little policy recognition of SEs or use of SE terminology among policy makers in Kenya. Faith-based organizations or ventures such as MKopa are recognized for their impact, but are not seen as a particular type of entity with a shared DNA. Recently, the US-based *Global Entrepreneurship Summit* [6] was hosted in Kenya in July 2015. The event had President Obama as a keynote speaker and many SE focused themes on the agenda. Several local stakeholders say the event was helpful in terms of positioning the SE agenda towards policy makers. Whether this will translate into increased policy attention remains to be seen.

Kenya is an entrepreneurial society with policy attention towards SMEs and private sector. Despite little formal SE focus, the general positive attitude towards the private sector creates a positive enabling environment for SEs. The private sector is recognized as an 'engine of growth' (for example in Kenya's *Vision 2030)* and there is general openness towards engagement with the private sector. The approach towards the private sector varies across sectors and issues. In some areas the governments prefers a hands-off approach. An energy expert noted that the government was hesitant to create standards on solar products, but agreed to do so after the market had matured on its own. In other areas, it has been more hands-on, for example allocating 30 percent of procurement budgets for youth entrepreneurs, SME's, women, and other disadvantaged groups (2013). The regulation is creating a government push to support particular types of business, but is facing implementation challenges, since many targeted companies have little capacity or experience on public tenders. For SEs in this segment the regulation is naturally a big opportunity. From a policy perspective, it is also an

[6] www.ges2015.org

interesting example of the strength and weaknesses of procurement as a potential policy tool for SE promotion.

Kenya's new constitution from 2010 brought about a number of changes, including an ambitious devolution process to enhance local governance, efficiency, and accountability. Elections in 2013 marked the launch of decentralization as 47 new county governors and county assemblies and started the challenging task of setting up new institutions. For SEs, devolution means several sectors are undergoing large structural changes, which influence public service provision and funding. For some SEs counties can become an important entry point for partnerships. Health is a sector impacted by devolution, which is facing significant implementation challenges, including a flight of key healthcare personnel out of the country or away from public facilities. Here some SEs say that the challenges in the public sector have increased the demand for their services.

Regulation

There is no specific registration form for SEs. SEs register among any things as companies or not-for profits where categories include NGOs, companies limited by guarantee, societies, and trusts. Most SEs are either registered as companies or NGOs. SEs that are registered as NGOs benefit from different forms of tax exemptions through the Non-Governmental Organizations Coordination Act No. 19 (1990), Non-Governmental Organizations Coordination Regulations (1992), and the NGOs Code of Conduct (1995).

Kenya has been in the process of replacing its NGO Act with a new Public Benefit Organizations Act 2013 (PBO Act). The ambition with the PBO Act was to create a new coherent legal, regulatory, and institutional framework for non-profit organizations. The act focuses on issues such as registration forms, governance, and coordination mechanisms for non-public stakeholders. The act also includes hybrid forms of organizations and revenue generation, which would be relevant for a number of SEs. SEs would also benefit from incentives such as income tax exemption donations or grants, preferential treatment for value-added tax (VAT), and an exemption on customs duties for certain imported goods or services. Parliament passed the PBO Act in December 2012 and the President approved it in January 2013, but a date for its implementation has not yet been set. The act has been subject to debate among local and international organizations, one issue being a cap on international funding for organizations in Kenya.

There are however also clear improvements, which mean many civil society actors are in favour of the act and call for its implementation. Civil society has held different events and lobbied for adjustments in the Act, while SEs notably have not been part of the process. As of now the act according to experts interviewed does not seem to be moving forward, the main reason quoted is lack of priority from the current administration.

Table 4. Laws and their relevance to SEs in Kenya

Law	SE relevance
Companies Act (Chapter 486, Laws of Kenya)	Regulates for-profit SEs with a social impact as Companies limited by guarantee and not having share capital.
NGO Act	The Non-Governmental Organizations Coordination Act No. 19 (1990) complemented with the Non-Governmental Organizations Coordination Regulations (1992) and the NGOs Code of Conduct (1995) regulate SEs registered as non-profits (might be replaced by Public Benefit Organizations Act (2013)
Trustees (Perpetual Succession) Act Chapter	Regulates non-profits registered as trusts through incorporation.

164 of the Laws of Kenya [1981]	
Cooperative Societies Act (Amended) 2004, No. 12 of 1997	Regulates non-profits registered as cooperative societies and Unions.
Department of Social Services	Regulates non-profits registered as Self-Help Groups and Community Based-Organizations.

Public-private collaboration

PPP have been developed for many years in Kenya, most are within telecom, energy, and infrastructure such as ports and railway. Kenya has generally enhanced PPPs performance in the past years. In 2009, PPP guidelines were developed, and a new PPP Act followed in 2013. Prior to this, projects were awarded based on general law and laws governing public procurement.[7] The new act provides a general framework for private investment for all contracting agencies. This comprehensive law has integrated PPPs on a strategic level in private sector development strategies and improved enabling conditions. A benchmark commissioned by the World Bank places Kenya within the top three in the region for PPP readiness. [8] Expert interviews however indicate that there has been a 'time out' in PPPs within the last year, especially within energy. One reason being a push for increased power generation that requires the government to re-evaluate energy needs. For SEs in the BoP service sector, the large PPPs are rarely relevant, but the framework derived from these could expand to more service related PPPs. Public partnership with private water suppliers in Uganda is an interesting case.

The public sector also collaborates with different civil society organizations to improve service provision. A health expert for example mentioned reproductive health as an area, where the government has entered into strategic partnerships for training of medical personnel and improving health system capacity. Partnerships have also been evident in implementation of health insurance schemes, such as the delivery reimbursement scheme implemented by GIZ, Ministry of Health, and Deloitte & Touche among others. At the local level, the government has also worked with NGOs in upscaling access to health services.

FINANCING

Grant funding

While many grant bodies are present in Kenya, many look for ventures with impact, rather than ventures with an explicit social mission and many are SME focused. This means they are often SE relevant, but not SE defined. Despite the range of grant making institutions, many, especially local SEs, do not use them. Several experts observe that most of the funds are urban-based and often unknown to local SEs. They also require capacity to develop applications, reporting and impact measurement, and favour proven cases. Among international founded SEs grants, most have started their business or organizations with some type of grant funding. The table below provides a few examples, but many more exist.

Table 5. Examples of grant funding in Kenya

Grant	Focus
Grassroots Business Fund	The **Grassroots Business Fund** is a non-profit based in Washington, DC with field offices in Kenya that builds and support high-impact enterprises.[9]

[7] PPP Knowledge Lab. https://pppknowledgelab.org/countries/kenya.

[8] The Economist Intelligence Unit. 2015. Evaluating the environment for public-private partnerships in Africa: The 2015 Infrascope. London. https://www.eiu.com/public/topical_report.aspx?campaignid=AfricaInfrascope2015.

[9] http://www.gbfund.org

GroFin Fund	**GroFin Fund** is a pioneering development financier specialized in financing and supporting small and growing businesses (SGBs) across Africa and the Middle East. GroFin leverages patient capital and specialized business support to grow emerging market enterprises.[10]
InReturn East Africa	**InReturn East Africa** invests in SMEs in Kenya, Uganda and Tanzania. The focus is equity investments in growth companies. InReturn takes a hands-on approach, providing management support. The target is market-related returns as well as social impact.[11]
Africa Challenge Enterprise Fund (AECF)	**Africa Challenge Enterprise Fund (AECF)** awards grants and repayable grants to private sector companies to support innovative business ideas in agriculture, agribusiness, renewable energy, adaptation to climate change and access to information and financial services. Its purpose is to improve incomes of smallholder farmers and the rural poor. AECF has its headquarters in Nairobi, Kenya.[12]
Enablis East Africa	**Enablis East Africa** trains and support entrepreneurs in Kenya, Rwanda and Tanzania to grow their small and medium businesses. It has an active network of close to 1,600 members who develop their competencies through peer support and coaching. As a global network, the Kenyan entrepreneurs can also exchange best practices with members across the world.[13]
Foundations	Foundations play a significant role providing funding for SEs in Kenya. Foundations supporting SEs in Kenya include most of the large global development focused foundation. While some foundations only fund non-profits, others are able to apply more flexible funding strategies than donor driven grants and explicitly look for innovative solutions. The sector profiles list key foundations supporting the sectors.

Commercial funding

Kenyan banks are generally more willing to lend than their regional peers, but remain very risk adverse towards early stage entrepreneurs. Demand for high collateral (sometimes higher than 100 percent) is a significant challenge for SEs. High interest rates also hamper SE financing options. Rates have increased from a high starting point of 12.5 percent in 2004 to 17.3 percent in 2013. Several SEs interviewed mention 18-20 percent as normal rates. There are some innovative developments such as seasonal schemes for farmers etc., but these only cover a small part of the funding gap. The high rates and requirements means bank financing in practice is out of reach for many SEs. SEs also express frustration that banks do not understand their financial structure and SE business models.

Besides banks, SACCOs and Chamas play an important role. SACCOs are cooperative savings groups and are important for agricultural SEs and in some cases for end-user financing, but not very common for service based SEs. Chamas are informal lending associations. Chamas started as womens' groups with merry-go-round savings and loans schemes. However, they have grown considerably and used widely across Kenya as investment groups by different tiers of society. There are example of which are set-up to fund entrepreneurs one-by-one. Most Chamas are however risk-adverse and currently rarely invest in SEs.

[10] http://www.grofin.com/contact-us/grofin-offices/grofin-kenya.aspx
[11] http://b-analytics.net/directory/funds/inreturn-east-africa-fund-i
[12] http://www.aecfafrica.org
[13] http://eastafrica.enablis.org/about-us/our-background.aspx#.VZZnB_mqqko

Chama models are nevertheless interesting vehicles for group saving and loans, which could be leveraged by networks of SEs.

Kenya is by far the East African country with the highest level of impact investment activity. Despite this fact, they represent a small, but growing part of the investment landscape. According to a recent study, at least 136 impact capital vehicles are active in Kenya, managed by 95 impact investors.[14] Most impact investors in Kenya work in a number of countries, but at least USD USD 240 million has been committed to Kenyan investments. Besides these funds, USD USD 2.5 billion is committed to the region. Based on history of deal flows, Kenya is good at attracting this regional capital.[15] Impact investors primarily focus on financial services and agriculture, but are also interested in service sectors. According to Open Capital Advisor, 34 are interested in education, 43 in energy, 37 in health, and 20 in water and sanitation. Interest does however not equal actual deals. Energy and education are sectors with high interest, but few deals imply that investors are finding it hard to place their money. For SEs in this sector, the disconnection is a signal of potential, but also shows the challenges on matching requirements with SE business models.

Interviewed experts have mixed opinions on the relevance of impact investors for SEs in Kenya. Many impact investors struggle to find deals. One problem mentioned is that most impact investors are Nairobi-focused and miss opportunities in others parts of Kenya. Several interviewed also say that the investors look for returns that rarely fit the financial performance of ventures balancing profits and social gains. Many SEs are neither able to meet the formal requirements for financial transparency and presentation of business plans that impact investors demand. Financial advisors such as Open Capital Advisors and others are providing important brokering roles, where they identify opportunities and support SES with technical support.

Box 1. Example of impact investment

Miliki Afya's opened in 2013 and is an affordable health clinic serving a low-income suburb of Nairobi. Open Capital advisors supported the founder Dr. Mureithi, who has deep medical expertise, but little experience developing business plans and operational models for low-cost services. Key challenges were high upfront investments costs and low margins. Open Capital advisors helped build a business case and link the venture with investors.[16]

Open Capital advisors are also linked to The Partnering to Accelerate Entrepreneurship (PACE). It is a US-AID programme with a focus on helping entrepreneurs bridge the pioneer gap with early stage investments. The programme works in partnership with over 20 incubators, accelerators, and seed-stage impact investors. Six public-private partnerships have been formed which leverage USD 56 million in combined public and private investments over five years. In East Africa, the programme has formed a partnership with Open Capital Advisors and four impact investors. The partnership combines technical assistance with early investment in Kenya, Tanzania, Rwanda, and Uganda. The programme screens' 60 ventures and will selects 15 who receive high-touch support for two years.[17]

Consumer finance

[14] The Global Impact Investing Network. 2015. The landscape for impact investing in East Africa. New York. https://thegiin.org/knowledge/publication/the-landscape-for-impact-investing-in-east-africa.

[15] The Global Impact Investing Network. 2015. The landscape for impact investing in East Africa. New York. https://thegiin.org/knowledge/publication/the-landscape-for-impact-investing-in-east-africa.

[16] www.milikiafya.co.ke

[17] www.usaid.gov/PACE

Generally, many consumer-financing models are being developed and tested in Kenya. For SEs in other countries these experiences are highly valuable. Within education, public and private scholarships and loan schemes for BoP are an integral enabler, but in no ways meets demand. The World Bank has tested voucher models (see education profile) and organizations such as Vittana[18] and many others are linking global online crowd funding with individual students. Due to the mature mobile money sector, Kenya is naturally an early adopter for mobile-based financing schemes. The rapidly developing pay-as-you-go market for BoP energy products is one of the most interesting examples of financing catalysing BoP access.[19] Beyond the more novel solutions, it is worth noting that many local SEs support access through pragmatic and informal solutions, where the poorest clients pay through in-kind transactions, in instalments or are cross-subsidised.

INFRASTRUCTURE AND HUMAN CAPITAL

Infrastructure

Kenya is investing heavily in infrastructure, but still has large gaps that affect SEs. The main infrastructure challenge SEs quote are low access to electricity, especially in rural areas. Urban challenges however also exist. One SE in Kibera invested heavily in water systems for large-scale distribution, but was not able to operate due to irregular power provision. They faced closing or developing costly power solutions.

As noted a core infrastructure driver for SEs is mobile penetration and the mature market for mobile banking, which has driven financial inclusion for the BoP. Kenya is a regional tech-hub and many tech-based SEs are leveraging these opportunities to development management systems, awareness and prevention schemes and payment models. According to SEs interviewed, this development is strong and will over time push innovation in Kenya, but should not be overestimated. Many tech-based SEs are struggling with client adaptation. One Ed-tech SE said most teachers were computer illiterate, but that the main challenge was government officials that were not able to drive implementation due to very low technical skills and understanding of new opportunities.

Skilled staff

Remarkable amounts of international staff in Kenyan SEs have degrees from prestigious global universities. Nairobi is attracting many graduates that want to leverage their skills to create impact. While some stick around and develop innovative ventures, many do not have the patience. In a recent article characterising the 'Do-good-startups of Nairobi' an SE explained, *"There are tons of 23-year-olds from Brown, and they'll be back in the U.S. in 18 months*." [20] On the Kenyan side SEs are less attractive. Each year many skilled graduates join the work force in Kenya. This means SEs in principle can draw on a solid talent pool, with good entrepreneurial mind-sets. Nevertheless, many SEs find local recruitment a challenge, especially senior and middle level staff. SEs are rarely able to compete on wages with the private sector or international NGO. As one respondent said: *"I was offered a job at an SE and seriously considered it, but my wife also wants to be taken out for dinner. I choose a job at an international NGO."* Some Kenyan SEs with external funding from grants or investors can pay competitively, but the majority mention wage levels as a problem. Graduates might use SEs as a stepping-stone, but quickly move on to better paying jobs.

Kenyans are generally career minded and link SEs with the NGO sector or small-scale business activities. They often prefer to join more secure and well-known companies. For many Kenyans a core

[18] http://vittana.org/

[19] There are many studies on the topic, one recent is: Lighting Global. 2015. Off-grid Power and Connectivity, Pay-as-you-go financing and digital supply chains for pico-solar. Berkeley. https://rael.berkeley.edu/wp-content/uploads/2015/05/LG-2015-PAYG-Report-Alstone-etal.pdf.

[20] Karen Weise. The Do-Good Startups of Nairobi. 2014. www.bloomberg.com/bw/articles/2014-12-29/the-do-good-startups-of-nairobi

driver is climbing the social hierarchy, which means a BoP venture is less aspirational. Several staff at SEs said their peers were curious why they wanted to join this type of organization – or 'work of all places in Kibera' as one respondent said. Despite the general picture, there are many passionate Kenyans in SEs and the growing number of educational programs with an SE focus are changing the SE perception. Several institutions in Kenya have introduced academic programmes focusing on social entrepreneurship at various levels and leading the space in East Africa. The East African ANDE chapter (*Aspen Network of Development Entrepreneurs)* is also hosting an upcoming career fair, where SEs will play a prominent role. These programmes are important drivers for local SE awareness and attraction of local talent to SEs.

Table 6. Examples of SE-relevant training in Kenya

Examples	Focus
The United States International University (USIU)	The United States International University (USIU) in Nairobi offers a Master of Business Administration Program with concentration in Global Social Sustainable Enterprise at Chandaria Business School.[21]
Tangaza University College	Tangaza University College, a constituent college of the Catholic University of Eastern Africa offers a Global Business and Sustainability- Social Entrepreneurship Track.[22]
Amani Institute	Amani Institute offers a Post Graduate Certificate in Social Innovation Management. The course is structured in 3 phases: Foundation, Immersion, and Acceleration.[23]
Riara University	Riara University has introduced Business Short course in Social Entrepreneurship and Innovation.[24]

INFORMATION AND NETWORKS

Capacity building

Not surprisingly, many self-defined SEs utilise the support options, while for example FBOs and NGOs based SEs receive funding, but rarely capacity building. Many Kenyan NGOs are interested in crossing into hybrid models, enhancing sustainability, but very little support exists for these, and they are often struggling with lack of business skills and organizational barriers.

Donors, foundations, universities and private companies, including SEs, provide capacity building. There are many overlaps between funding schemes and capacity building, including grants linked with technical support, impact investors supporting SEs technically, accelerators and incubators linked with financing. Below are examples, but many other exists.

Box 2. Capacity building examples

- **Jomo Kenyatta University's UniBRAIN** (Universities, Business and Research in Agricultural Innovation) is involved in the development and implementation of collaborative programmes between universities, research institutions and the private sector which foster innovation.[25]
- **Centre for Entrepreneurship (CE) at KCA University,** established in 2009, serves as a central resource for developing businesses and invites the participation of those who seek to develop their enterprises in new and innovative ways.[26]

[21] http://www.usiu.ac.ke/index/images/downloads/brochures/MBA.pdf
[22] http://ashokau.org/wp-content/uploads/2013/01/Brochure-MBA-GBS-SET-2013.pdf
[23] http://amaniinstitute.org/programs/post-graduate-certificate-in-social-innovation-management
[24] http://www.riarauniversity.ac.ke/business-short-courses
[25] http://www.riceforafrica.org/downloads/workshops/mechanization-ws/24.UniBRAIN_JKUAT.pdf
[26] http://www.kca.ac.ke/#!centre-for-entrepreneurship/c1m2i

- **@iLabAfrica at Strathmore University** is a Centre of Excellence in ICT Innovation and Development and attracts tech SEs.[27]
- **@iBizAfrica** at Strathmore University is business incubator with a focus on ICT solutions and businesses that 'work for the common good in society'.[28]
- **Chandaria Business Innovation and Incubation Centre at Kenyatta University** has a broad focus, but includes SE ventures.[29]
- **iHub** is an incubator that supports the development and prototyping of technological innovation, many of which have a social impact focus.[30]
- **Kenya Climate Innovation Centre (CIC)** provides incubation, capacity building services and financing to Kenyan entrepreneurs and new ventures that are developing innovative solutions in energy, water and agribusiness to address climate change challenges.[31]
- **Nailab** is a start-up accelerator that offers a 3-6 month entrepreneurship program with a focus on growing innovative technology driven ideas.[32]
- **Ashoka**, the largest network of social entrepreneurs worldwide, has its East Africa Office in Nairobi.[33] Ashoka is supporting many prominent Kenyan SEs through its fellow programme.
- **The Acumen Fund** also has its East Africa in Nairobi, and has supported several scaled SEs in Kenya. Acumen has a *Technical support initiative* for African SEs, which among other things partners with large corporations to support SEs.[34]
- **GrowthAfrica** is a consulting company founded in 2000. Its hub offers start-up incubation and acceleration services, and also offers investment facilitation for start-ups and early stage enterprises. Its East Africa Office is based in Nairobi, Kenya.[35]
- **Open Capital Advisors** enables growth, investment and innovation across Africa by helping rapidly growing enterprises prepare for and achieve growth while also forming partnerships with investor and market innovators.[36]

Research and Data

Until recently, the SE sector in Kenya was not subject of much research, especially locally. The last few years the sector has seen a rise in interest from researchers in Kenya and abroad. The bibliography includes examples of papers on the SEs landscape in Kenya, including work by Overseas Development Institute who has looked at the sector in Kenya, especially within health and agriculture. The work of front-runner SE enterprises such as mKopa and Bridge has been subject to various case studies and research, as well as cross-cutting themes impacting SE such as mobile payments in Kenya. Sector databases on innovation such as Center for Education Innovation or healthmarketinnovations.org often include many Kenyan examples.

[27] http://www.ilabafrica.ac.ke/index.php/who-we-are/ilabafrica#sthash.53jKzx7c.dpuf
[28] http://www.ilabafrica.ac.ke/index.php/who-we-are/ibizafrica#sthash.bTFjfJR3.dpuf
[29] http://www.ku.ac.ke/chandaria-biic/index.php/about-us/mission-vision
[30] http://www.ihub.co.ke
[31] http://www.kenyacic.org
[32] http://www.nailab.co.ke
[33] http://eastafrica.ashoka.org/contact
[34] http://acumen.org/blog/acumen-dow-and-unilever-support-social-enterprises-across-east-and-west-africa-through-technical-assistance-initiative/
[35] http://growthafrica.com/contact-us
[36] http://opencapitaladvisors.com/contact

Coordination and advocacy

There are several networks and initiates emerging that are organizing SEs, but some have also previously failed. At a sector level, most networks and organisations SEs quote as important for their work are non-SE specific.

Table 7. Examples of SE-relevant networks in Kenya

Examples	Description
Aspen Network of Social Entrepreneurs (ANDE)	ANDE is a network organization supporting a diverse group of actors promoting small and growing business in East Africa (not SE specific). The East Africa Chapter hosts quarterly meetings for members in Nairobi to share best practices and includes a number of organizations with SE focus, which means SE relevant topics are often discussed.[37]
One Acre Fund	One Acre Fund is an SE operating in Burundi, Kenya, Rwanda and Tanzania. It is very focused on agriculture, but also has an ambition to bring SEs broadly together. It host regular happy hours in Nairobi with panel discussions aimed at SEs.[38]
East Africa Social Enterprise Network (EASEN)	EASEN is a membership organization committed to the development of the SE sector in East Africa. EASAN has previously hosted many SE events and completed SE research, but is dormant currently due to lack of funding.[39]
Association of Microfinance Institutions of Kenya (AMFI)	AMFI is a member Institution that was registered in 1999 under the societies Act by the leading Microfinance Institutions in Kenya to build capacity of the microfinance industry in Kenya. AMFI presently has 62 member institutions serving more than 6,500,000 poor and middle class families with financial services throughout the country.[40]
Global Compact network Kenya	The local Global Compact network in Kenya (based at Kenya Association of Manufacturers) was a partner of the SEED award and have several SE type companies as their members. Their focus is more broadly on CSR, but they also work with CSR innovation as a theme, which often has SE ties.

CONCLUSIONS AND RECOMMENDATIONS

Despite progress millions of poor families in Kenya lack adequate education, energy provision, water and sanitation facilities and health services. While devolution aspires to improve these conditions on the short term it is creating increased pressure, especially in the health sector. A large and growing number of SEs are trying to tackle development challenges in new ways. The SE landscape in Kenya is one of the most developed in Africa. Kenya's strong entrepreneurial culture combined with its status as a regional hub for organizations and SE focused initiatives are among drivers for this development. Across all four sectors Kenya hosts some of the most scaled and promising SE ventures among the seven countries studied.

Across the sectors SEs express little policy recognition on the specific role of SEs, but general openness toward engaging with non-public actors. Many regulatory issues are very sector specific and even vary across the sector value chains. While SEs in early childhood education for example have few regulatory problems, low cost primary schools are meeting new legislation, which might limit their possibilities to operate significantly. Funding is similar across sectors, where SEs quote bank financing as a major

[37] http://www.andeglobal.org/?page=EastAfrica
[38] http://www.eventbrite.com/e/one-acre-fund-presents-accra-social-enterprise-happy-hour-tickets-15197763921
[39] http://easenetwork.net
[40] http://www.amfikenya.com

bottleneck, but also have a significant amount of impact investors ready to put money into the most promising ventures.

Further support and development of the SE sector could be accelerated by:

- **SE education:** the most efficient way to create a stronger local SE culture is to target the educational system and link existing SEs to create strong role models. This process is started, but could be further supported.
- **Policy support:** Devolution is straining public delivery in several areas. Helping the political level through the devolution agenda to see how SEs can support service delivery locally is an opportunity to mitigate some of these challenges.
- **Learn from Kenya:** Few countries have as many failed + scaled SE attempts as Kenya. Both are equally important to learn from. There are limited initiatives to systematically understand the do's and don'ts of the development of SEs in Kenya.

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Joyce Ngumba, Director of Innovation and Leadership, Akili Dada, June 22, 2015

Additional sector interviews have been completed and feed into the country profile.