

Emerging Social Enterprise Ecosystems in East and South African Countries



A diagnosis of supporting environments and activity of social enterprises in Kenya, Malawi, Rwanda, South Africa, Tanzania, Uganda, and Zambia

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Foreword

Social enterprises (SEs) play a special role in helping developing countries achieve the Sustainable Development Goals (SDGs). They fill a critical gap in social service delivery to the poorest at the Base of the economic Pyramid (BoP). Governmental or private service providers usually serve upper- and middle-income people, who have political clout and financial resources. But traditional publicly and privately provided services often do not reach the poor, whether in rural or urban areas.

In contrast, SEs—enterprises with a social purpose but operating on commercial principles—aim to serve the poor, often with innovative technical, organizational, and financial approaches. However, while effective in reaching the poor, SEs face significant obstacles in growing their activities to a scale where they can substantially contribute to the achievement of the SDGs.

Therefore, a key question of development research and policy is how best to identify and remove these obstacles. The present study addresses this question for seven African countries by exploring the enabling environment, or “ecosystem,” in which SEs operate, i.e., the system of actors, institutions, and networks that support or hinder SEs in contributing to development goals. The study is the first of its kind for Africa and thus begins to fill an important gap in our knowledge of SEs on the continent.

The study develops an analytical framework that captures for each country four ecosystem dimensions: (a) policy and regulation, (b) financing solutions, (c) infrastructure and human capital, and (d) information and networks. It applies the framework at three levels (country, sector, and sub-sector) and rates the maturity (i.e., supportiveness) of each country’s SE ecosystem relative to a benchmark (the SE ecosystem of the United Kingdom). The study’s empirical results are based on interviews with a broad sample of SEs, stakeholders, and BoP service users, and on a database with 271 examples of SEs. This evidence also allows estimates of the size and sectoral distribution of SEs in the countries studied.

For the seven countries covered, the report offers an opportunity to prioritize policy, infrastructure, and financial and capacity building interventions designed to improve the SE ecosystem in support of the development of SEs and their ability to provide critical services at the BoP. The methodology that is developed and tested in this report can readily be applied in other countries and regions for assessing the development of SE ecosystems. An associated diagnostic toolkit is also available to help analysts and practitioners in this task.

The development of SEs is an essential element of any country strategy to meet the SDGs. This study makes a unique contribution by helping SEs understand the environment in which they work and by offering governments and external funding agencies an evidence base for creating a more supportive ecosystem in which SEs can have a development impact at scale, especially at the BoP.

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Acronyms

| | |
|-------|---|
| ANDE | Aspen Network of Social Entrepreneurs |
| BoP | Base of the Pyramid |
| CSR | Corporate Social Responsibility |
| DFID | United Kingdom Department for International Development |
| ICT | Information and Communications Technology |
| MDG | Millennium Development Goal |
| MFI | Microfinance Institution |
| NGO | Non-Governmental Organization |
| NPC | Non-Profit Company |
| PBO | Public Benefit Organization |
| SAARC | South Asian Association for Regional Cooperation |
| SACCO | Savings and Credit Cooperative |
| SDG | Sustainable Development Goal |
| SME | Small or Medium Sized Enterprise |
| SE | Social Enterprises |
| PPP | Public-Private Partnership |
| USAID | United States Agency for International Development |
| UNDP | United Nations Development Programme |

Introduction

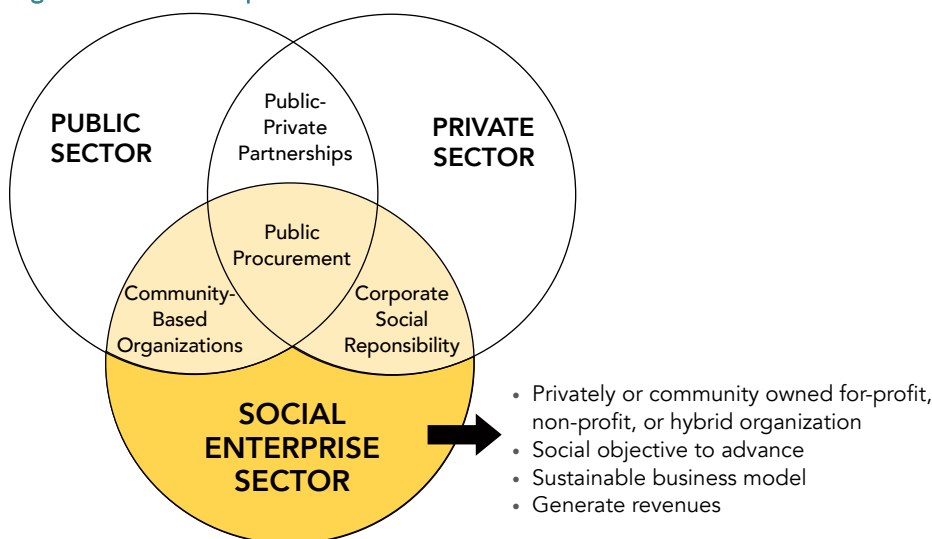
Across Sub-Saharan Africa millions of people remain excluded from critical, life-enhancing services, such as access to water, energy, sanitation, education, and health care. As a result, approximately 600 million Africans lack access to electricity today, while life expectancy and literacy are at their lowest rates globally.^{1,2} Moreover, inequality of access to these basic services remains a challenge, especially for marginalized groups, such as women and the rural and urban poor.

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 in service delivery will only grow in the coming years.³ So far, traditional actors, including governments, civil society, and the private sector have been unable to solve the problem of providing essential, quality services.

In this context, 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. Figure 1 depicts the criteria for SEs and how they fit within the public and private sector spheres.

Figure 1. SE sector space



¹ Africa Progress Panel. 2015. Power, People, Planet: Seizing Africa's Energy and Climate Opportunities

² 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>.

³ 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>.

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 uncondusive 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, in terms of creating a conducive regulatory environment, encouraging greater transparency, and taking steps to help develop or partner with the SE sector.

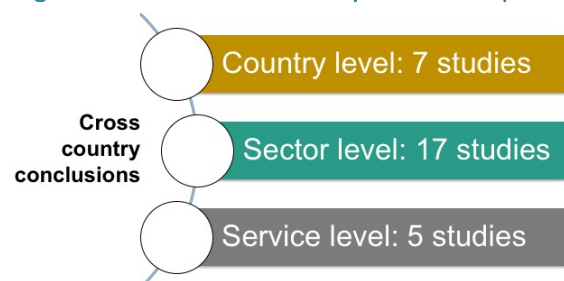
The SE ecosystem is comprised of actors, institutions, and network that support SEs in contributing to development goals. In many developing countries, the SE sector still lacks a supportive ecosystem, or enabling environment, which would allow these organizations to thrive and grow. Four ecosystem dimensions 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. This is the case in the European Union, where countries have explicit social entrepreneurship policies and support instruments and regulation, and evaluations demonstrate that public resources spent on provision of goods and services by SEs represent a more efficient, inclusive, and sustainable way of using resources than alternative methods.⁴ Consequently, governments and donors can benefit from fostering a strong SE sector integrated in the service delivery system.⁵

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 is a first step into filling information gaps. The report examines how SEs across seven African countries address service delivery gaps for poor populations and assesses the status of SE ecosystems, including existing barriers and promising support initiatives and policies.

The first part of the report presents an overview of the current landscape for SEs in Kenya, Malawi, Rwanda, South Africa, Tanzania, Uganda, and Zambia. The second part introduces the SE ecosystem and provides a diagnosis of current ecosystems across the seven countries. The report highlights cross-country findings based on research at three levels: the country level, service sector level, and specific service level (Figure 2). Seventeen studies focus on health, water and sanitation, education, and energy sectors at the country level, and five studies focus on specific services, such as maternity care and HIV prevention at the country level.

Figure 2. Three levels of analysis in this report



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.

⁴ European Commission. 2013. Social Economy and Social Entrepreneurship - Social Europe guide - Volume 4. <http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=7523>

⁵ OECD and EU. 2013. Policy Brief on Social Entrepreneurship.

Scope of the Report

Geographic

The report focuses on seven African countries: Kenya, Malawi, Rwanda, South Africa, Tanzania, Uganda, and Zambia (Figure 3). 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.

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. The report looks at the role of SEs within the public service delivery value chain and new markets development.

Beneficiaries

The report considers target beneficiaries for SE activities as underserved, low-income populations representing the 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 4).

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 3. Focus countries in this report

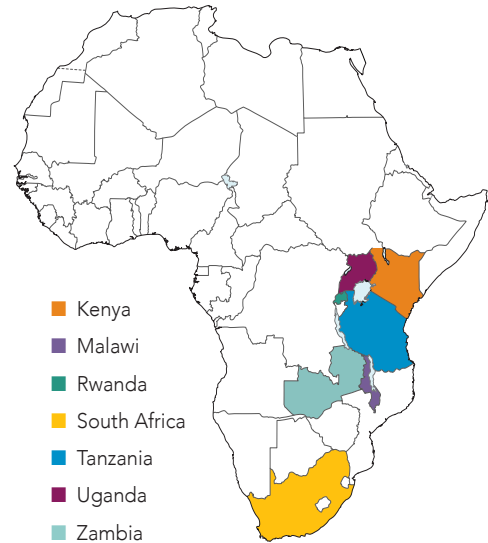


Figure 4. Ecosystem framework



Table 1. Four parts of the ecosystem framework

| | |
|-----------------------------|---|
| Demand | <ul style="list-style-type: none"> • 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 | <ul style="list-style-type: none"> • 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 | <ul style="list-style-type: none"> • 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 | <p>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.</p> <ul style="list-style-type: none"> • 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

The annex provides a more detailed methodology for this report.

Social Enterprises and Service Delivery

Service delivery gaps remain daunting in critical sectors

Despite recent economic progress in many African countries, almost half of the population lives in extreme poverty.⁶ The population of Sub-Saharan Africa is projected to reach 2.1 billion by 2050, creating additional demographic challenges for governments to sustain and improve the access and quality of basic services.⁷

Across the seven countries studied in this report, inequality of access to basic services remains a challenge, especially for marginalized groups, such as women and the rural and urban poor. The countries represent significant differences in service levels, spanning from widespread access to electricity in South Africa (85 percent) to rare access to electricity in Malawi (10 percent). Each country's performance against the Millennium Development Goals (MDGs) illustrates this variation, but also shows that all countries still face service gaps and will need to work hard to meet the even more ambitious SDGs in 2030.

Figure 5 presents data from the United Nations' "Millennium Development Indicators: Country and Regional Progress Snapshots" website for various targets in the seven studied countries.⁸

- **Health services:** Most of the selected countries lack quality health services for low-income populations. As a result, maternal and child mortality rates remain higher than in any other region and malnutrition is among the highest in the world.
- **Primary education:** Access to primary education has improved in many of the countries. However, the introduction of universal access to education has strained school capacity, infrastructure issues remain, and poor quality of education has hampered learning outcomes.
- **Water and sanitation:** Most countries have been able to improve access to clean water, while Tanzania lags behind (56 percent). In contrast, the use of improved sanitation is still a challenge across countries, with rates as low as 15 percent in Tanzania and not higher than 66 percent in South Africa.
- **Energy:** Access to energy, especially for the rural poor, is low in all countries except South Africa. Access to electricity is not a part of the MDGs and thus not portrayed here.

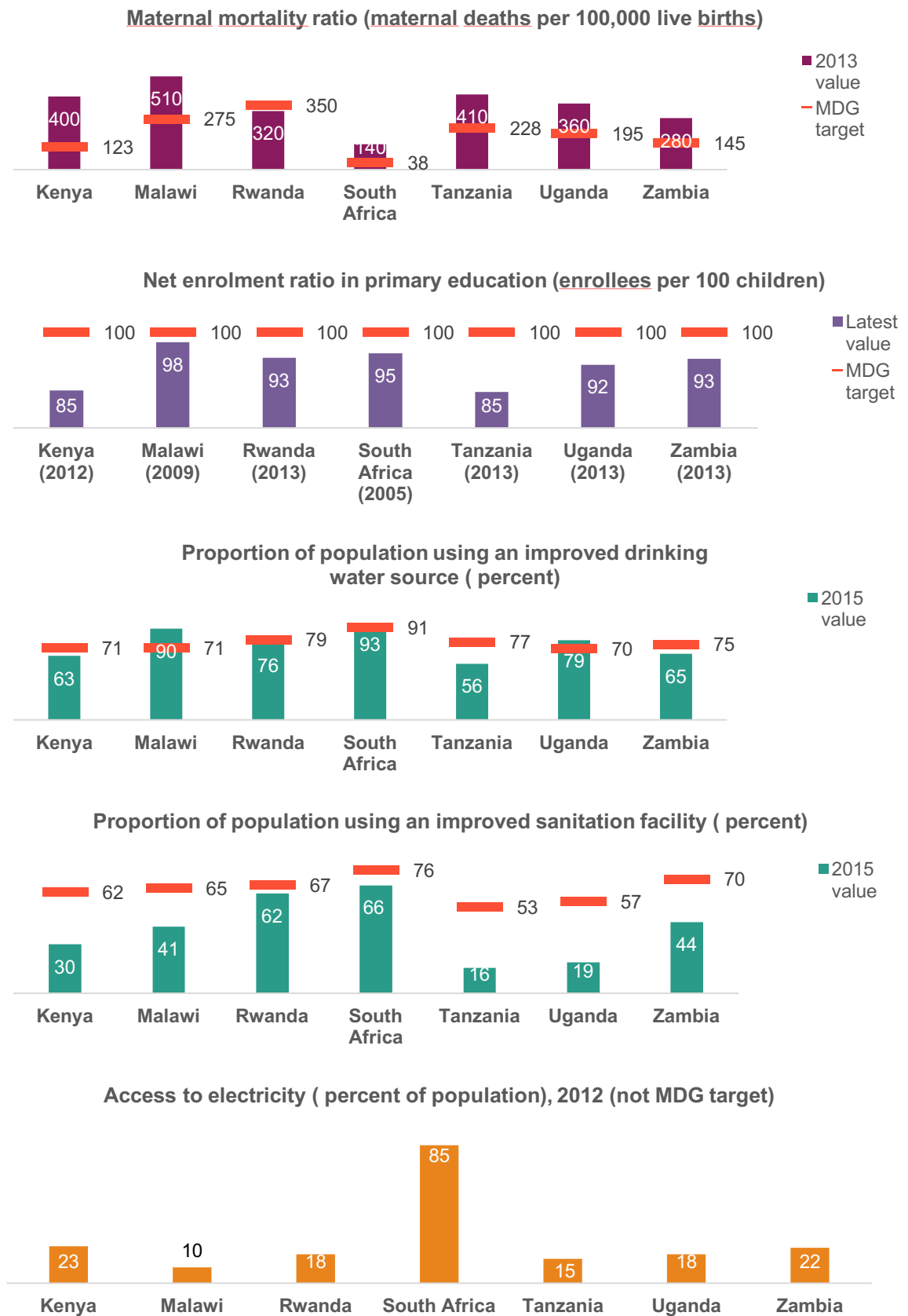
⁶ Beegle, Kathleen; Christiaensen, Luc; Dabalen, Andrew; Gaddis, Isis. 2016. Poverty in a Rising Africa. Washington, DC: World Bank. <https://openknowledge.worldbank.org/handle/10986/22575>.

⁷ United Nations, Department of Economic and Social Affairs, Population Division. 2015. World Population Prospects: The 2015 Revision. <http://esa.un.org/unpd/wpp>.

⁸ United Nations. Millennium Development Indicators: Country and Regional Progress Snapshots.

<http://mdgs.un.org/unsd/mdg/Host.aspx?Content=Data/snapshots.htm>. MDG targets are calculated from base year data on website.

Figure 5. Studied countries' MDG performance for various targets



Traditional actors have not been able to close the delivery gap

Public and non-public providers face large challenges in improving service levels and uptake. Governments are challenged by weak service infrastructure, low organizational capacity, and strained funding for services. As a result, the public sector struggles to meet service demand in low-income communities in terms of delivery and quality. This can be seen in the continuing service delivery gaps across the studied countries (Figure 4). Non-Governmental Organizations (NGOs) try to fill these gaps, but can only reach as far as grant funding and sponsorships allow, which limits scale of services.

The formal business sector provides many services in the studied countries, but prioritizes delivery to high- and middle-income populations. Reaching low-income populations is difficult and often unattractive, given difficult-to-access markets, lack of existing infrastructures, high risks, and low profit margins. As a result, low-income populations often rely on informal providers or simply lack service options.

Looking toward 2030, achieving the SDGs for the poorest populations will be costly and cannot be done solely by the public sector—SEs can be a partner in achieving the SDGs. Development practitioners will need innovative solutions and supportive environments that will allow these SE innovations to scale and accelerate results.

SEs have emerged as a new type of actor in service delivery

SEs are mission-led yet revenue-funded private organizations

Across the seven countries studied, SEs are increasingly filling the service delivery gap, as a new breed of privately owned organization that falls between the traditional public sector mission and the private sector profit objective. For this report's purposes, the criteria for setting the boundaries of SEs have been structured around four criteria:

1. **Social objective:** SEs have a social mission of providing sustainable services to the BoP. They reinvest the majority of their profits in the community or the organization's own growth.
2. **Sustainable business model:** SEs operate under business principles and have a financially sustainable business model.
3. **Enterprise revenues:** SEs cannot be a sustainable organization, at least in the long term, if they do not generate revenues. If there is no payment for services, then it may be a charitable organization.
4. **Enterprise ownership:** SEs must be privately or community owned. If they are owned by a government, they will not qualify as SEs.

Table 2 analyzes the diverse organizational forms of SEs in the studied countries. Locally founded SEs have been set up with the SE concept as a reference point. They are usually rather young and the only ones that regularly self-identify as SE. Faith-based organizations have worked with a mission-led, market-based approach for a long time without calling themselves SEs. Traditional NGOs build SEs out of their non-profit core to innovate and increase sustainability. Some, often community-based, local companies share SE characteristics, for example, by going to great lengths to enable poor customers to access services. This group rarely self-identify as SEs. The last main category is spin-off ventures from multi-nationals that apply SE thinking in their structure and strategies.

Table 2. Types of organizational forms of SEs in studied countries

| Type | Description | Example |
|--|---|---|
| Locally Founded SEs | <ul style="list-style-type: none"> Locally founded SEs were often founded within the last decade and mostly by expats or returning diaspora. Some local examples are emerging. They register as a company, NGO, or a combined model. They often apply communication strategies, which attracts funding and support from international donors or impact investors. Many born SEs are found in the energy and health sectors and especially in Kenya and South Africa. They often test new solutions or business models and are drivers of innovation. | <p>Ecotact is a locally founded SE based in Nairobi, Kenya. The for-profit enterprise was founded in 2006 and offers sanitation solutions and complementary services in urban areas. The model has scaled across a number of locations and is supported by donors and impact investors.</p> <p>Link: http://ecotact.org/ecoweb</p> |
| Faith-based SEs | <ul style="list-style-type: none"> Many faith-based SEs serve the community based on religious motivations and combine user fees with charitable donations to enable affordable services. Not all qualify as SEs—some are business-oriented, target higher segments, or are fully funded by charity. They play a significant role in the education and health sectors, but rarely in other sectors. They often have close links to the public sector, sometimes through formal partnerships. They often are large and able to have a large reach due to religious authority, local presence, and history. They focus on core services and rarely innovative models. | <p>AIC (Africa Inland Church) is a large, faith-based organization in Kenya that also hosts a network of health facilities. AIC's institutions serve in many remote areas and often have a strong connection to local communities.</p> <p>Link: www.aickenya.org</p> |
| Traditional NGO SEs | <ul style="list-style-type: none"> NGOs increasingly work with SE approaches to improve the sustainability of their interventions, diversify revenue streams, and attract additional donor funding. SE models are integrated in normal NGO operations or are spun out as sub-units, sometimes as companies. Models are particularly active in health, water, and sanitation sectors across the studied countries. They often struggle with internal challenges of integrating commercial processes and priorities into existing non-profit organizational structure and operations. | <p>PACE (Program for Accessible health, Communication and Education) is a Ugandan NGO that implements programs about HIV/AIDS, malaria, child health, and reproductive health. The organization also functions as a social marketing organization and distributes condoms at subsidized rates.</p> <p>Link: www.pace.org.ug</p> |
| Local business SEs | <ul style="list-style-type: none"> Informal and small businesses serve the BoP everywhere with basic services and per default adapt to the needs of the BoP. Some businesses stand out due to their strong social focus, which is often driven by respected community members. They play a strong role in community outreach and provide affordable consumer finance, including stepwise payment, informal tiered pricing, in-kind payments, or free services for the poorest. There are many examples of businesses operating in a not well-defined zone for SEs. In countries such as Malawi and Zambia this type of organization comes closest to SE models. | <p>In 2008, a local entrepreneur founded Makata Builders Sanitation Services in the peri-urban surroundings of Blantyre, Malawi. The company installs improved sanitation facilities and flappers and offers pit-emptying services in Blantyre.</p> |
| Multi-national companies spin-off SEs | <ul style="list-style-type: none"> Some international companies develop SEs within or outside the organization to comply with social responsibility expectations and/or learn how to operate in low-income markets. In the Kenyan energy and health sectors several multinational companies offer tailored products and business models targeting the BoP. Some large, local players also develop subunits with SE structures to reach rural communities with satellite treatment. | <p>Grundfos is an international, family-owned pump manufacturing company. Grundfos Lifelink was developed as a corporate spin-off to develop targeted pump solutions and business models for low-income clients, starting in Kenya.</p> <p>Link: www.grundfos.com/market-areas/water/lifelink.html</p> |

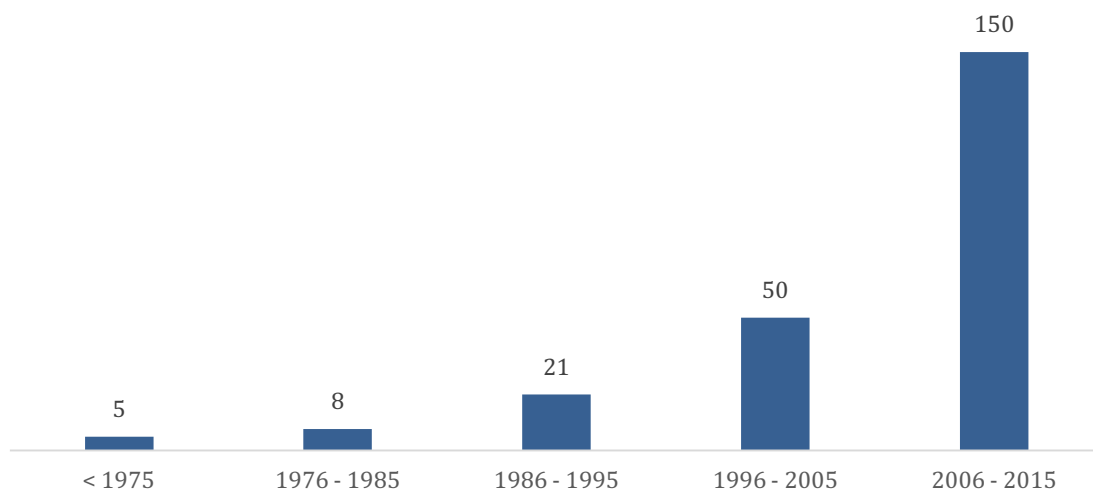
In addition to the lack of a single agreed upon definition of SEs globally, Table 2 shows that the operational form SEs take in practice varies greatly.

SE models are on the rise but are often not recognized as such

Given the lack of a commonly agreed upon definition, this report identifies examples of SEs and characteristics in each country and sector based on secondary data and primary data research for validation purposes. However, the report does not intend to prove a statistically significant analysis of the sector's presence in the countries studied.

The founding year of the SEs studied indicates the early presence of faith-based organizations, while the newer breed of "locally founded SEs" have primarily been founded within the last decade (Figure 6). The growing number of SEs reflects increasing global conversation about the role of the private sector in development and discussions around inclusive business approaches. Across the seven countries studied, local stakeholders confirmed this picture and pointed toward increasing SE activity but not always local recognition.

Figure 6. Increasing presence of SEs in the last decade



Source: SE database, N=234, Founding year

Based on over 200 interviews with SE experts and social entrepreneurs it was clear that perceptions surrounding SEs varies across and internally within the countries (Table 3). In addition, it became evident that SE is a term coined by the international development community and not widely used or fully acknowledged among most African entrepreneurs. Many organizations that fit the operational definition do not self-identify as SEs. Across countries, the term was often equated with NGOs or charity.⁹

⁹ Similar findings were identified in: Overseas Development Institute. 2014. "SE: Constraints and Opportunities: Evidence from Vietnam and Kenya." <https://www.odi.org/publications/8303-social-enterprise-constraints-opportunities-evidence-vietnam-kenya>.

Table 3. Varying perceptions of SEs across the studied countries

| | |
|---------------------|--|
| Kenya | Kenya has the highest volume of self-identifying SEs of the countries studied, reflecting a strong local SE community. A number of these are visible and active in global discourse on SEs. Kenya has hosted several related events, making it a regional hub. Despite these activities, many local stakeholders are not familiar with the term and no shared definition exists. |
| Malawi | Local entrepreneurs rarely use the SE term and see it mostly as a “foreign” term. There is no clear understanding of the concept locally. |
| Rwanda | Rwanda focuses on private sector-driven development, but not as much on SEs specifically. A small community of often US-linked SEs connect their ventures with the international SE community. SEs are often regarded as NGOs. |
| South Africa | The SE term widely appeals to organizations and stakeholders in South Africa looking for ways to address inequality and development challenges. As an exception among the countries studied, the term also holds appeal for local companies who want to position themselves as socially responsible. In some cases, organizations use it for image purposes, but do not meet the definition used in this report. Despite focus on the term there is no clear understanding of what it means. |
| Tanzania | Tanzania has an ambiguous relationship with SEs and private sector development. The perspectives of SEs appeal to politicians, but many barriers in the business environment slow progress. Many stakeholders are not familiar with the term, but pockets of SE recognition are present. |
| Uganda | Several SEs are locally founded in Uganda, indicating local recognition in small pockets of society. In general, though, no common definition exists across actors and there is limited recognition among stakeholders. |
| Zambia | Few local stakeholders use the term SE. They commonly equate them with charities or donor-funded NGOs and often see them as international, not local. |

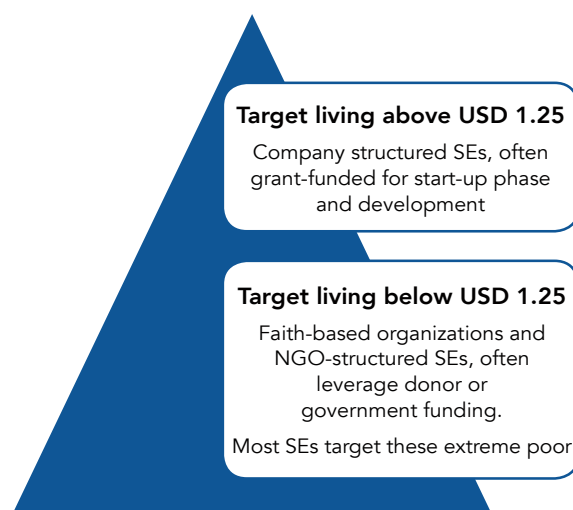
Many SEs reach poor and underserved communities

The BoP spans a wide segment in the countries studied, from the rural poor with little purchasing power (defined here as below USD 1.25 per day in 2015) to aspiring middle-class segments in urban areas (defined here as above USD 1.25), as seen in Figure 7.

The SEs in this report have diverse target segments—some started out targeting the poorest, but turned toward slightly higher segments to increase financial viability. Of 19 SEs interviewed on this topic, 17 stated they reach people living below USD 1.25 per day, with half of the targets mainly urban and half mainly rural. Many SEs apply a multi-tier strategy, serving several income groups. Often, they cross-subsidize low prices for the poorest through higher prices for those that are able to pay.

Awareness about the benefits of quality services often grows with income, which adds to the challenges of targeting the poorest. The more commercial models target wealthier segments, while hybrid funding is sometimes necessary to reach the poorest segments and often include awareness and consumer financing components. In the countries studied, models that rely on integrating donor funding were not directly correlated with ones targeting the most underserved segments. In fact, donors channel considerable funding to models targeting higher-tier BoP.

Figure 7. Typical target groups for SEs



Source: 19 SEs interviewed; 17 reached target living below USD 1.25

Box 1. Example of SE education program that targets the underserved

The East African Madrasa Preschool program (MRCU) launched in 1986 in Kenya with technical help and funding from the Aga Khan Foundation (www.akdn.org).¹⁰ The program assists underprivileged communities with development and management of pre-schools; training courses for pre-school teachers; and technical support to pre-schools, civil society, government, and private organizations. Both user fees and donations fund activities. The program has influenced national policy and practice and trained and supported over 2,000 pre-school teachers. Through its Whole School Approach, the Aga Khan Foundation has supported more than 1,050 community-based pre-schools attached to public primary schools, benefiting over 350,000 children. The foundation has also supported 995 public primary schools, benefitting over 370,000 pupils and 5,700 teachers and educators in some of the most remote and marginalized parts of the country.¹¹

Four A's shape BoP service demand and uptake

The report analyzes service delivery from a public supply perspective, as well as service demand and access from a low-income user perspective. For the BoP, availability and affordability (i.e., price of service) are naturally key factors, but equally important factors are awareness about the value of services and the acceptance of the service, which often relate to cultural issues that influence service uptake. Increasing the volume of services or decreasing the price is hence not enough—it needs to go hand-in-hand with efforts to increase the knowledge and demand for services.

Service providers face a complex task in service delivery. Table 4 provides examples of the service demand situation in the countries from a BoP user perspective using four key interlinked factors.

Table 4. Four A's of reaching the poor

| | |
|--|--|
| AWARENESS Raising awareness about the problem | <ul style="list-style-type: none">• Awareness about the option of non-public services, including SE solutions, varied across sectors and countries. In many cases the BoP have a clear perception of public vs. non-public options. However, basic services are often locally oriented, which means BoP in close proximity know more about specific SE services.• Awareness plays a significant role for BoP purchasing behavior, but some sectors are influenced more than others. For instance, awareness about the benefits of education was relatively high, while awareness about health choices were more influenced by misconceptions and lack of knowledge. |
| AVAILABILITY Making the service easily available or accessible | <ul style="list-style-type: none">• A large rural versus urban divide exists in service provision and access. However, service density in rural areas varies considerably across sectors and countries. The same area might have no water and sanitation services but relatively good health networks.• For many low-income users, the physical distance to health clinics or schools is a significant barrier as well as related transportation costs. While many e-solutions try to address geographic challenges (such as telemedicine), most have not moved from pilot to scale. |
| AFFORDABILITY Providing value for money and spreading costs | <ul style="list-style-type: none">• BoP interviewees cited affordability of services as a key challenge. The urban poor already spend a considerable share of their income on informal services, and in several cases the BoP pay a <i>poverty penalty</i>. For example, urban poor in Tanzania buy expensive water from informal vendors, while supply in higher-end residential areas is more affordable.• Mobile-based pay-as-you go services change affordability for some services, especially energy, in countries such as Kenya. As a result, BoP demand patterns for these services are changing. |
| ACCEPTANCE Designing an appropriate solution | <ul style="list-style-type: none">• Several sector studies emphasized how perceived “needs” do not necessarily equal demand. For example, improved sanitation is a relatively low priority in many BoP households despite awareness about options. As a result, this service area is only improving slowly.• The report also confirms that the attitude of service personnel, especially within public health care, influences service choice. Some in the BoP choose traditional providers or private clinics based on this factor despite the additional costs incurred. |

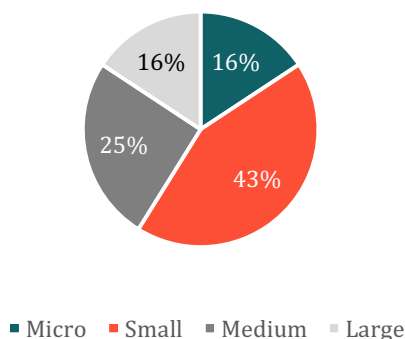
¹⁰ Aga Khan Development Network. 2008. “The Madrasa Early Childhood Programme: 25 Years of Experience”

¹¹ http://www.akdn.org/publications/2015_akdn_in_kenya.pdf

Some SEs are building sustainable models that scale

To become a change driver, SEs need to move from good ideas to scalable impact. While some SEs follow organic growth patterns similar to small- and medium-sized companies, many others follow a life cycle of initial funded pilot projects, with high barriers to move to the next step of more self-sustaining business models. In the countries studied, many SEs are still relatively small in terms of employees (Figure 8), but a growing number are moving from initial pilot phase to more established models (Figure 9).

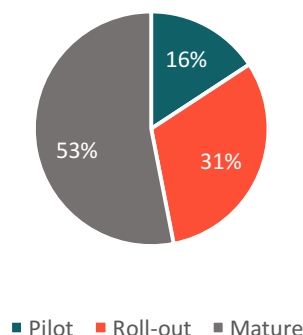
Figure 8. Size of SEs



Source: SE database, N= 248

Defined as: micro is 1-9 employees, small is 10-49 employees, medium is 50-249 employees, large is greater than 249.

Figure 9. Maturity of SEs

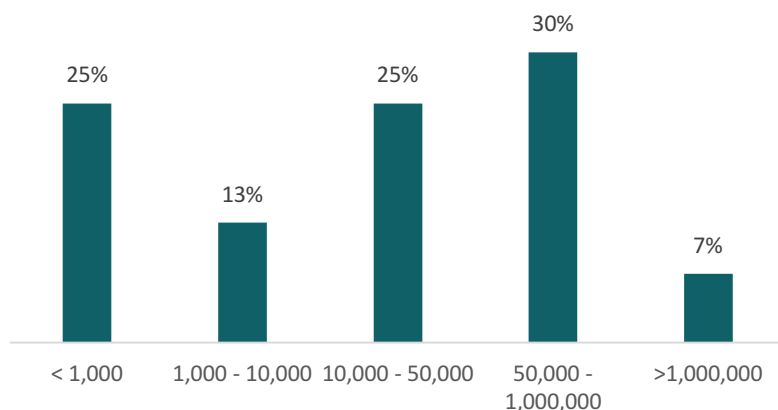


Source: SE database, N=260

Defined as: pilot is test phase, rollout is normal operations have started, mature is replicated in several locations or has a very large presence in one location.

Interviews confirm that many SEs are still struggling with this pilot transition, but a larger share than previously are succeeding. Among the SEs interviewed, more than half reach 10,000 or more people annually (Figure 10). A limited number of them reach more than one million people. Scaled models are most prevalent in the health and energy sectors, where technological innovations (such as mobile payment) and extensive health infrastructure are among the drivers for scale. These high population numbers, although from a small sample, show that SEs can reach significant scale, and how a critical mass of SEs is already on its pathway to reach this significant scale.

Figure 10. Population reached annually by SEs



Source: SE interviews, N= 56. Calculation of scale varies across sectors and data *only* provides indications. For example, for solar systems, it is the number of systems annually sold to households, and for sanitation facilities, it is the estimate of annual unique users. The actual number of beneficiaries (such as in a household) is thus higher in some cases.











Box 2. Example of a SE with a wide reach at the BoP





The international UK-based charity SolarAid founded SunnyMoney (www.sunnymoney.org) in 2008 to provide solar powered lighting solutions in rural areas of Africa. The SE is headquartered in London with international offices in Kenya, Malawi, Tanzania, Zambia, Uganda, and a planned expansion into Senegal. It conducts its own market research among target populations and uses public infrastructure as distribution centers (such as schools in Zambia). By replicating their business model with slight variations in several countries, SunnyMoney has to date sold more than 1.7 million solar lights in Africa and reached approximately 10 million people at the BoP level.

SEs are present across all countries, with East Africa leading the space

While SEs exist in all countries, activity levels vary, reflecting different volumes of SEs, maturity levels, scale, and roles in sectors (Table 5). Kenya has a vibrant SE community and South Africa and Uganda also host a growing number of SEs, some of which have scaled. Rwanda and Tanzania see low SE activity in service sectors beyond faith-based organizations and local companies. In Malawi and Zambia, the SE sector is also in the early stage. It has not been possible to identify clear regional patterns—while they are neighboring countries, Kenya and Tanzania significantly differ in their SE activity level.

Table 5. SE activity per country

| Country | SE activity level | |
|---|---|--|
|  Kenya |  | Kenya has a large and active SE community. Faith-based organizations have contributed to education and health for generations, while Kenya's status as a regional business and organizational hub has made it the breeding ground for many innovative companies and NGOs serving poor populations. Several SEs originating in Kenya have scaled their models in other African countries and globally. |
|  Malawi |  | The community of SEs in Malawi is small, but recent activity is promising. Most of the SEs are in the energy sector, while examples exist in the sanitation and health sectors. Large faith-based organizations also deliver services to the BoP in the health sector. |
|  Rwanda |  | In Rwanda, the private sector is involved in service delivery, but rarely in the form of SEs. Tourism and agriculture attract most SE activity, with only a few examples in the service delivery sectors. A growing number of local IT startups promote innovative technology solutions, several of which include SE elements but also focus on other business areas. The SE landscape is dominated by the expat community |
|  South Africa |  | South Africa sees vibrant SE activity, especially in the health, education and energy sectors. A distinguishing feature of South Africa's SE landscape is that it is mainly homegrown and driven by local concerns about addressing the country's societal and developmental challenges. |
|  Tanzania |  | There is a small group of SEs in Tanzania, but few have scaled. Faith-based organizations are an exception and play an important role in the health sector. Different incubators and networks have spurred SE activity. |

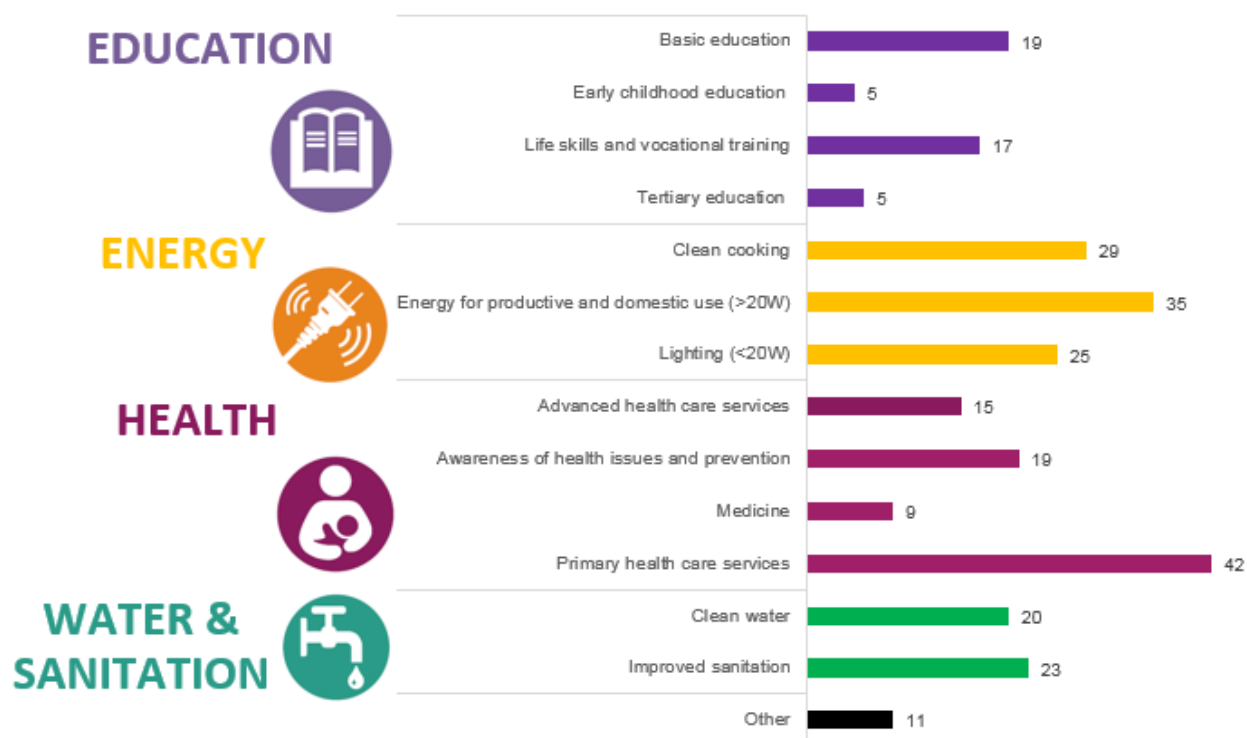
| | | |
|--|---|--|
|  Uganda |  | <p>Uganda has a growing SE landscape. In education and health sectors, faith-based SEs are strong players. In energy, SEs play a key role developing business models for the BoP.</p> |
|  Zambia |  | <p>In Zambia, only a small number of organizations fit the SE definition with their own revenues and an explicit social mission. There is growing activity, especially in the energy sector. The education and water and sanitation sectors are still at a nascent stage. Faith-based organizations play an important role in the health sector.</p> |

The bars summarize activity levels at the early, growing, emerging, and mature activity of SEs. The assessment of activity levels (indicating volume, maturity, scale, sector role) is based on country-level interviews and SE activity in the researched sectors. Sector information draws from sector interviews, the SE database, and secondary sources.

SEs address service delivery gaps across sectors

Across the countries studied, SEs fill service delivery gaps in a wide range of sectors, taking into consideration the service delivery value chains. Figure 11 illustrates how SEs look to specific sector solutions, for example, within education (basic) and health (primary). The figure cannot be used to assess relative strength between sectors, since some sectors have been researched in more countries than others. These patterns reflect the bulk of BoP demand and need.

Figure 11. SE presence in sectors



Source: SE database, N=274

The following sections provide examples of current SE activity across the four service areas studied.

Education: Education services and school quality improvements

BoP need: Universal primary education has improved access in many of the countries studied but has also strained quality levels. While South Africa has achieved high adult literacy levels (93 percent of the adult population in 2010), literacy rates are much lower in other countries (61 percent in Malawi, 66 percent in Rwanda, and 68 percent in Tanzania). Literacy rates relate to primary education completion rates: in Uganda, the primary education completion rate was as low as 54 percent in 2013, while the primary completion rate in South Africa stood at 98.5 percent already in 2004. At the tertiary level, enrollment ranges from 20 percent in South Africa in 2012 to as low as 0.8 percent in Malawi in 2011, with few from the BoP reaching higher education across the countries.¹²

SE role: In the countries where education has particularly been studied (Kenya and Uganda) SEs play a diverse role: delivering education services, building infrastructure, driving innovation, and contributing to policy development.

Although Kenya and Uganda have introduced universal primary education, affordable primary schools are a growing market segment in both countries with fierce competition from private players and mixed quality. SEs are part of this market, ranging from local schools to large-scale chains.

Other SEs support quality improvements in public schools by constructing school buildings or developing learning materials, such as Mango Tree in Uganda. Mukuru Slum Development in Kenya represents a group of SEs providing financing schemes or family support to enhance learning outcomes or school attendance. A growing number of SEs try to facilitate students' transition from school to work life by addressing youth unemployment and the gaps between educational systems and the job market. For example, Digital Divide Data in Kenya links graduates with technology services.

In Kenya especially, SEs build on the strong local technology and startup scene to provide innovative technology-enabled learning content, student monitoring systems, and school management systems. Hence, in Kenya and Uganda SEs are part of service delivery but also play an important role building infrastructure, driving innovation, and contributing to policy development.

Box 3. Example of an SE spearheading school evaluation

GM South Africa Foundation's Learning Schools Initiative (www.gmsouthafricafoundation.com) offers public schools a free school evaluation instrument to enable them to self-evaluate and implement school improvement plans. The initiative also offers capacity-building training programs and in some cases funding support for improvements. Since 2003 the initiative has worked closely with four Port Elizabeth high schools and 18 primary schools. Through this process, the Learning Schools Initiative has developed a number of school evaluation and development resources. Aspects of the model, such as a web-hosted database, have also been applied more widely with the Department of Education, school development agencies, and other partners. In 2014, the use of the Foundation's School Self Evaluation instrument, web-hosted program, and school development process extended to 100 schools in the Lusikisiki District, Eastern Cape; 25 schools across all the districts in Kwazulu Natal; and 200 schools in the Metropole South District, Western Cape.

Energy: Small solar services, solar home systems, and improved cooking solutions

BoP need: Access to electricity remains a major challenge in the countries studied except for South Africa. Access to electricity in rural areas is especially low: only 3–5 percent of the population in rural

¹² World Bank Education Statistics (database). World Bank, Washington, DC. <http://datatopics.worldbank.org/education>.

areas in Malawi, Rwanda, Tanzania, Uganda, and Zambia had electricity access in 2010.¹³ Customers in Kenya, Malawi, Tanzania, Uganda, and Zambia also experience frequent power outages. The estimated value lost due to electrical outages amounted to 5–8 percent of total business sales, while many BoP businesses do not even link to the grid.¹⁴

SE role: Energy is one of the sectors that is seeing the greatest SE development. For example, in Uganda homegrown and international SEs dominate the market for affordable energy services. In Kenya, pay-as-you go services reduce the upfront barrier for energy investment and changing demand patterns. In the other countries studied SEs are present in the sector but less influential.

Companies such as Mobisol in Rwanda or M-Kopa in Kenya distribute larger solar home systems and deliver integrated solutions through sales of energy installations, after sales services, and affordable financing for low-income customers. Solar lighting companies typically design and distribute their own products, such as Barefoot Power, or act as retailers with different suppliers, such as Great Lakes Energy. Typically, SEs in the energy sector also engage in marketing and awareness raising activities to educate and attract their target groups.

In the area of improved cooking solutions, some SEs fabricate local brands, but most SEs are only involved in distribution. This part of the energy sector has developed much slower and SEs face large demand barriers related to cooking habits.

Box 4. Example of SE promoting bio energy

Founded and headquartered in Kampala, Uganda in 2011, Green Bio Energy Limited (greenbioenergy.org) is one of the first for-profit renewable energy businesses to market carbonized briquettes and improved cook stoves in East Africa. The main products are the EcoBurner and Briketi. The EcoBurner is a charcoal stove for domestic use, whereas Briketi are long burning bio briquettes that are made from 100 percent recycled material such as organic agriculture residues and charcoal waste. They reduce indoor air pollution emissions and have a longer cooking time compared to traditional charcoal, while also being more affordable. Green Bio Energy employs 55 people across management, sales, and production.

Health: Care, training, and mobile solutions

BoP need: According to the World Bank Health Nutrition and Population Statistics database, the BoP face significant health challenges in the countries studied. Life expectancy ranges from 55 years in Malawi to 64 years in Rwanda (2013 data). The main causes of death in all countries are communicable diseases and maternal and nutrition conditions. Access to physicians remains low in most countries. For example, Tanzania only has 1 physician per 125,000 people, while South Africa has 1 physician per 1,250 people. For comparison, the number of physicians was 2.4 in the United States in 2010.

SE role: In the countries studied, health SEs, especially faith-based ones, have longstanding relationships with the public sector. They often provide frontline primary and advanced health care services to the BoP and have been able to develop scaled models. SEs also contribute significantly to the skill-building of the healthcare workforce through their internal systems for professional healthcare training. Beside faith-based organizations, a number of SE clinics are developing affordable

¹³ World Development Indicators (database). World Bank, Washington, DC. <http://data.worldbank.org/data-catalog/world-development-indicators>.

¹⁴ World Development Indicators (database). World Bank, Washington, DC. <http://data.worldbank.org/data-catalog/world-development-indicators>.

models, often with hybrid financing models. In Kenya, franchise-based models with a SE mindset are upgrading many small local clinics.

Especially in countries with mature mobile networks and payment systems in place, such as Kenya, SEs are increasingly augmenting health provision with mobile medication authentication systems, mobile access to doctors, health savings accounts, and instant access to health loans. While some technology solutions have been able to scale, many struggle with different barriers, such as low adaptation rates and sustainability.

Health awareness or prevention activities are often add-ons to the core focus of SEs rather than the main activity.

Box 5. Example of family health network

Tunza is a non-profit launched in 2008 in Kenya by Population Services Kenya (www.psikenya.org), an affiliate of Population Services International. Tunza engages private sector clinics as franchisees to offer family planning and wider family health services in Kenya. Tunza has become Kenya's largest social franchise network in terms of regional coverage and number of clinics: 316 clinics as of May 2015.¹⁵ Approximately 60 percent of these clinics are located in urban and peri-urban areas, while the remaining 40 percent are in rural areas. Each clinic serves approximately 15 patients per day, totaling 5,000 visits per day for the network.¹⁶ The network also employs a fractional franchising model, that is, it relies on existing licensed health providers operating in the private sector. Hence, the franchise model has helped upgrade many local businesses.

Water and sanitation: Building infrastructure and educating BoP consumers

BoP need: As shown in the MDG performance figures, Tanzania and Uganda have the lowest access to improved sanitation facilities, while Kenya, Tanzania, and Zambia have the lowest access to improved water sources. On the other hand, Kenya and Uganda experience the most deaths from inadequate water: 18 deaths per 100,000 population in 2012 for both countries, while the number is 7 deaths in South Africa.¹⁷

SE role: Among the sectors studied water and sanitation has seen the lowest SE activity and fewest scaled models. SEs in the water sub-sector usually focus on one particular activity that requires advanced technical skills and machinery. Typical activities include drilling of boreholes and rehabilitation of wells.

These SEs mostly bill their services to the government or the donor community (including international NGOs). Direct user fees, especially in rural areas, are rare. A few SEs, especially in Kenya, receive community funding for piped water or water kiosks. Others provide small households with products such as filters or packaged water.

Sanitation SEs offer solutions along the sanitation value chain, including building cement slabs, flappers, improved pit, or ecological sanitation latrines, as well as offering pit emptying services. Successful SEs in sanitation are mostly active in urban areas, where they are able to compensate for low profit margins with economy of scale. In densely populated areas, SEs also operate city toilets at

¹⁵ Tunza Health Network Report. 2010. www.sf4health.org/sites/sf4health.org/files/reports/Tunza-report.pdf.

¹⁶ Interview with Director of Health Services Delivery, May 20, 2015.

¹⁷ Global Health Observatory Data Repository. World Health Organization. Geneva, Switzerland. <http://apps.who.int/gho/data/node.main>.

market places and bus stations. In rural areas, SEs often install sanitation facilities onsite and involve BoP customers in construction to lower costs.

These SEs often provide awareness raising activities on topics such as diseases, hygiene, and aspirational needs to increase product demand and educate BoP customers. In general, sanitation is an area where SEs have been challenged by demand and rarely have been able to develop sustainable models.

Box 6. Example of SE in water sector

In slum areas in Tanzania large sludge tankers cannot access residents and are too expensive, leaving only informal, manual services. UMAWA is a community-based organization in Tanzania founded in 2011, which has grown into a SE. The organization supplies clean water and sewerage services targeting several low-income areas of the capital. The business idea was born out of challenges in the local community. Initially investments and capacity building was supported by international partners, but over time user fees are sustaining operations.

Social Enterprise Support Ecosystem

SEs can help close the service delivery gap, but they require a conducive ecosystem to achieve scale. They often struggle with unconducive regulation and policy, missing financing solutions, weak infrastructure and human capital, and a lack of information and networks. Improving these dimensions could help SEs better address service delivery challenges.

Ecosystems are important determinants of success

SE ecosystem description

A business ecosystem refers to interconnected, interdependent networks of individuals and organizations (actors) and the influencing enterprise environment that determine whether or not a business will succeed.¹⁸ This network includes direct business partners, including employees, suppliers, and customers, as well as more indirectly related players, such as the government, media, business associations, competitors, or intermediaries.

A SE ecosystem is complex, comprised of dimensions that support or constrain SEs in their effort to link the demand (in many cases coming from the BoP) with supply of solutions (products and/or services), and where various actors (businesses, financial institutions, governments, and other organizations) affect SEs and their activities. Thus, ecosystems can shape the creation, sustainability, and scale of SEs.

This report identifies four ecosystem dimensions as critical for SE success: policy and regulation, financing solutions, infrastructure and human capital, and information and networks (Figure 12). Each dimension is composed of several elements. Table 6 describes the elements and the mature state for each.

Figure 12. Four SE ecosystem dimensions



Operationalizing the SE ecosystem requires specifying the key elements of this system. Various studies, including ones by Intellectap, GIZ, Okapi, the European Commission and Deloitte

¹⁸ Adapted from Gradl C. and Jenkins B. 2011. "Tackling Barriers to Scale: from Inclusive Business Models to Inclusive Business Ecosystems", Cambridge: Harvard Kennedy School.

Consulting,¹⁹ have worked with the ecosystem concept and introduced different categories. Frameworks differ according to their analytical purpose, with their main focus on SEs mapping, policy and legal environment or how SEs and ecosystem players interact. Some frameworks enable cross-country and regional comparisons.

Table 6. Dimensions of the SE ecosystem and the mature state for each element

| Dimension | Element | Situation in a mature state |
|---|------------------------------|--|
| Policy and Regulation | Policy Strategy | Government recognizes and promotes the special role of SEs. Sector-specific policies promote not only the private sector, but also specifically SE participation in service delivery. These policies are well-implemented. |
| | Regulation | SEs benefit from legal incentives, such as tax waivers, VAT waived for key purchases in service delivery, and preferential public procurement from SEs. |
| | Public-Private Collaboration | Governments are generally open to collaboration with the private sector, which is expressed in a well-implemented public-private partnership (PPP) policy and formal channels for public-private dialogue. |
| Financing Solutions | Grant Funding | SEs have access to various grants that support their activities, from government, donors, foundations, and private company corporate social responsibility (CSR) departments. |
| | Commercial Credit | SEs have access to commercial credit at reasonable interest rates. Many impact investors provide funds for different ranges of capital needed. There is a mature multi-finance institution industry that provides affordable credit. |
| | Consumer Finance | SE customers have formal and informal finance options to afford the services. These options can be in the form of government programs or collaboration with microfinance institutions (MFIs). Informally, consumer finance exists through village savings and loans. |
| Infrastructure and Human Capital | Infrastructure | Infrastructure is not only well developed in both urban and rural areas, but also affordable for the whole population. Innovative solutions such as mobile payments prevail and SEs are encouraged, not obstructed, in using the infrastructure at hand. |
| | Human Capital | The overall skill level of the population provides a sufficient pool of skilled labor. The education system nurtures an entrepreneurial mindset and prepares interested youth for a future in the SE sector. The sector upholds a positive image in society, and working for a SE is a desirable occupation. Salaries can compete with NGOs and the public and private sector. |
| Information and Networks | Capacity Building | Dedicated organizations provide capacity building to SEs for relevant technologies as well as management. Some of these activities may be incubators seeking to develop and support SEs through advice, mentoring, and capital. |
| | Research and Data | The government and other organizations collect relevant data about low-income consumers and markets and publish it online. There is an active local research community dedicated to SEs and related topics. |
| | Coordination and Advocacy | A national SE organization (or several) coordinates activities and advocates successfully for SE interests in general, and in service delivery sectors. SE issues are successfully integrated in mainstream business organizations. |

Besides these studies specific to SEs, the present work builds on research on ecosystem dimensions affecting businesses that include consumers at the BoP, known as inclusive businesses. The UNDP identifies four categories that are vital for the success of BoP businesses: incentives, investment, information, and implementation support.²⁰ Building on this work, the G20 paper, Inclusive Business Policies, defines four areas of support for inclusive businesses: rules, financial resources, information,

¹⁹ GIZ. 2012. Enablers for Change; European Commission. 2015. A Map of Social Enterprises and their Ecosystems in Europe; World Bank Group. 2015. Landscape of Inclusive Business Models of Healthcare in India.

²⁰ UNDP. 2013. "Realizing Africa's Wealth - Building Inclusive Businesses for Shared Prosperity", New York: UNDP.

and structure and capacity. Previous work on the SE ecosystem in the South Asian Association for Regional Cooperation region (SAARC) by Intellectap was also taken into account. It distinguishes four different elements of the ecosystem: capital, policy, enablers, and landscape.²¹

The framework developed for this mapping exercise combines the different conceptualizations found in the literature to create a mutually exclusive, exhaustive view of the SE ecosystem. While the general framework was in place before initiating data collection, the specific content of the ecosystem dimensions was developed based on the collected data. Hence, the report's data collection adapted to the emerging pattern of ecosystem dimensions that characterizes the countries and their SE landscapes.

The support ecosystem is still in the early stage, with variations across countries

The report assesses each ecosystem element per country and rates each based on qualitative indicators. The so-called SE Ecosystem Maturity Assessment that was developed distinguishes four levels of maturity: (1) Early stage, (2) Emergent, (3) Growing, and (4) Mature. To ensure that the indicators reflect a global view, the United Kingdom represents the benchmark of a mature SE ecosystem, adjusted here for a developing economy context (Table 7).

Table 7. United Kingdom benchmark for a mature SE support ecosystem²²

| Dimension | History of support in the United Kingdom |
|------------------------------------|--|
| Policy and Regulation | <ul style="list-style-type: none"> The government has provided continuous support to the SE sector since 1997. In 2004, the government created a special legal form. In 2013, the government passed the Social Value Act. It requires public bodies to consider choosing providers based on social value created. In 2014, the government introduced SE tax relief. |
| Financing Solutions | <ul style="list-style-type: none"> The UK has a dynamic and fast growing social investment market with an established base of social finance intermediaries that provide the main funding for the SE sector. Still, SEs in the United Kingdom report that funding remains the main barrier to start-up, roll-out, and scaling phases. |
| Infrastructure and Capacity | <ul style="list-style-type: none"> The government creates and enables support institutions that facilitate access to funding and information about SEs, e.g., Big Society Capital. Social entrepreneurship has gained a high standing, with many ventures self-identifying regardless of whether they fit more narrow definitions of an SE. The sector attracts skilled professionals. |
| Information and Networks | <ul style="list-style-type: none"> A large number of networks and organizations support SEs. SE UK is one such network that runs campaigns, lobbies for the SE sector and provides extensive information on SEs in the United Kingdom. |

The SE Ecosystem Maturity Assessment in Table 8 shows that the studied countries are mostly in the early or emergent phases of ecosystem development. South Africa features a vibrant scene of supporting institutions, which has largely grown out of the broader push for “Broad-Based Black Economic Empowerment,” a comprehensive policy strategy to overcome apartheid. For example, large companies often provide grants through their CSR funds.

Kenya also offers a relatively advanced ecosystem for SEs, with a rich landscape of impact investors, incubators and other capacity building options, advocacy and coordination institutions, and a general


²¹ Intellectap. 2015. SAARC-SDF SE Ecosystem Diagnostic: Final Report. World Bank Group.

²² SE UK. 2014. “The People's Business - State of SE Survey 2013”. <http://www.socialenterprise.org.uk>.

openness by government to collaborate with companies, which translates into a sizable number of partnerships. On the other end of the spectrum, Malawi, Zambia, and Rwanda have little specialized support for SEs but varying degrees of private sector engagement.

Uganda and Tanzania are at an emergent stage, often benefitting from spillover activities from Kenya, which has become so crowded that some SEs look for new markets for their services. None of the countries has a fully mature ecosystem—they could make improvements by learning from more mature ecosystems such as the one in the United Kingdom. The following sections review each dimension in detail for the studied countries.

Table 8. Ecosystem maturity levels for each country



| | Kenya | Malawi | Rwanda | South Africa | Tanzania | Uganda | Zambia |
|---|----------|--------|----------|--------------|----------|----------|----------|
| Policy and Regulation | | | | | | | |
| Policy Strategy | Emergent | Early | Emergent | Emergent | Early | Emergent | Early |
| Regulation | Emergent | Early | Emergent | Emergent | Early | Early | Early |
| PPPs | Growing | Early | Growing | Growing | Early | Emergent | Emergent |
| Financing Solutions | | | | | | | |
| Grant Funding | Growing | Early | Emergent | Growing | Emergent | Emergent | Early |
| Commercial Funding | Emergent | Early | Emergent | Growing | Emergent | Emergent | Early |
| Consumer Finance | Emergent | Early | Emergent | Growing | Emergent | Emergent | Early |
| Infrastructure and Human Capital | | | | | | | |
| Infrastructure | Growing | Early | Growing | Growing | Emergent | Emergent | Early |
| Skills | Emergent | Early | Early | Growing | Early | Early | Early |
| Information and Networks | | | | | | | |
| Capacity Building | Growing | Early | Early | Growing | Emergent | Emergent | Early |
| Research and Data | Emergent | Early | Early | Growing | Early | Early | Early |
| Coordination and Advocacy | Growing | Early | Early | Growing | Early | Early | Early |

■ Early
 ■ Emergent
 ■ Growing

The annex explains in more detail how the maturity levels were determined.

POLICY AND REGULATION DIMENSION

Rules and regulations frame the legal and political space in which SEs function. To support SEs in delivering services to the BoP, governments can open doors and dismantle barriers. Openness from and collaboration with government is particularly important for the delivery of basic services, since government plays a major regulatory and operational role and reaching the poorest populations is often only possible with hybrid models where only part of the cost is covered by revenues. This section examines various aspects of policy strategy, regulation, and public-private collaboration to map and assess how governments facilitate or hinder the work of SEs as partners in service delivery.

| | |
|----------------------------------|--------------------------|
| Policy and Regulation | Financing Solutions |
| Infrastructure and Human Capital | Information and Networks |

Policy Strategy

Why is policy strategy important for SEs?

The degree of government recognition of the SE sector (existence of shared legal and/or operational definition of SEs) ranges from SEs being largely absent from the government agenda to sophisticated legal and operational definitions that are reflected in official documents in mature ecosystems. In mature SE ecosystems, SEs are recognized as important players in service delivery to BoP, there is long-term public recognition of the sector, and the governments recognizes the importance of SEs as part of their national plans, laws, and strategies. On the contrary, in early stage SE ecosystems, SEs tend to operate under the governments' radar and find creative ways to operate given the lack of policy recognition and overall government support to the sector.

A review of SE ecosystems globally shows that a step toward higher levels of ecosystem maturity is recognizing a role for SEs in specific sectors. Finally, government's general openness to work with the private sector and civil society as well as SME development policies are also fundamental factors for SEs to grow and scale. SEs strategy is therefore dependent on PPP and SME policy strategies.

What are the key barriers for SEs?

The degree of government recognition of the SE sector can greatly affect the entry, growth, and performance of SEs due to certain benefits only provided to organizations with non-profit or profit status and the lack of a clear role in service delivery agendas for SEs. Legal constraints tend to be higher for hybrid organizations—those who register both as a for-profit company and as a non-profit NGO have to deal with the additional administrative burden, while others struggle to fit into traditional legal forms.

What is the status of policy strategy across countries and sectors?






None of the governments under review broadly acknowledges the role of SEs in service delivery (Table 9). Most of the countries in this report (especially Malawi, South Africa, Rwanda, Uganda, and Kenya) do show political will to improve private sector collaboration and express this in policy framework and strategy documents. In practice, limited public sector capacity can hinder implementation of these frameworks, as is the case in Malawi. In Uganda, some fractions of government question the value of market liberalization and privatization, despite a general openness toward private sector engagement. Kenya and Rwanda both have explicit private sector strategies, where Kenya is largely taking a hands-off approach, creating space for the private sector to function, and Rwanda is much more hands-on. The lack of recognition for SEs results in a lack of enabling policy instruments, such as tax incentives, procurement regimes, funding support, or a specific legal form or accreditation for SEs.



A notable exception to the lack of policy recognition in most countries studied is government collaboration with faith-based organizations. They see faith-based organizations as distinct from the private sector and NGOs and recognize them for their role in filling service delivery gaps. Modalities for cooperating with faith-based organizations vary from country to country. In some countries, the public sector regards the two as closely linked, such as health in Tanzania. The positive examples of public sector collaboration with faith-based organizations could provide useful case studies for collaboration with SEs more broadly.

In some cases, sector-specific policies indicate a role for private sector engagement in service delivery, creating a supporting policy environment for SEs working in that sector. For example, the government in Malawi promotes private sector solutions for sanitation and does not get involved in provision. SEs providing sanitation benefit from this clear signal to consumers. Energy sector policies in Zambia and Rwanda promote an energy mix to reach out to the BoP, and SEs are implied in the mix. The government of Zambia encourages the use of renewables, especially in rural electrification, as well as clean cook stoves, through tax incentives and subsidies. Some solar and energy saving products are VAT exempt. The government collaborates with private energy providers through financing and subsidies. SEs are often active in these areas. The health sector in Malawi is centralized and the government fails to promote a marketplace for healthcare services, making it hard for SEs to function. The government usually heavily regulates the water sector, creating barriers for SEs. The sanitation sector, on the other hand, lacks regulation, which creates flexibility but does not allow for policy incentives.

Attitudes toward civil society are not always positive in these countries. This also affects SEs, which register as NGOs. In particular, government actions in Rwanda, Kenya, and South Africa curb the sphere of influence of NGOs, which impacts some SEs.

Table 9. Status of SE policy strategy by country

| Country | SE policy strategy by country |
|---|--|
|  Kenya | There is little policy recognition of SEs. The government is generally open toward the private sector and recognizes the role of SMEs. SE-relevant legislation can be found in many policy areas, including support for the development of IT infrastructure, which has enabled many SEs, or government encouragement (based on Vision 2030) for start-ups and accelerator programs (e.g., c4dlab at University of Nairobi). |
|  Malawi | SEs are not recognized in policies. The government is willing to work with the private sector in general, but a lack of capacity holds it back. |
|  Rwanda | There are no specific SE policies. The government sees the private sector as important for development. The government is open to civil society engagement but control lies largely with foreign and rights-based NGOs. |
|  South Africa | Authorities recognize the role of SE but do not have a common understanding of what it entails. The government sees a role for the private sector in service delivery to the BoP. |
|  Tanzania | There are no specific SE policies. The government is strongly involved in many areas of the economy through price control and state-owned enterprises and is historically at arm's length with the private sector. |

| | |
|---|--|
|  Uganda | SEs are not recognized in policies with the exception of social marketing organizations. The government is generally open toward private sector engagement, but there are some concerns about privatization. |
|  Zambia | There are no specific SE policies. The government sees service delivery to the BoP as off-limits to for-profit organizations. |

Regulation

Why is regulation important for SEs?

Regulation that supports SEs provides them with support measures to function effectively (Table 10). Having a dedicated legal form for SEs, direct and indirect support instruments, and a general ease of doing business are aspects of regulation that enable SE activity. In a mature environment, SEs have a specific legal form, such as the Community Interest Companies (CICs) in the United Kingdom,²³ which clearly states and communicates government policies and laws. Furthermore, in a mature environment, there are comprehensive policy tools in place to support SEs and entrepreneurs while devoting public efforts and resources to them along the stages of growth their initiatives might face. Promotion activities, grants, public procurement, guarantee funds, and fiscal incentives are part of these efforts.

What are the key barriers for SEs?

Both over-regulation and lack of regulation can create challenges for SEs. In the sanitation sector in Malawi, the government does not sufficiently regulate or monitor the disposal of feces. As a result, some sanitation providers just dump excrement to save transportation cost, which contaminates soil and groundwater. On the other extreme to over-regulation, the Nursing Council of Kenya requires that nurses renew their license every three years. The renewal requires evidence of 40 hours of professional training every year. For smaller private clinics, this legal requirement can be challenging. In some other cases, regulation is available but not properly enforced, resulting in insecurity and unexpected costs for SEs. In Zambia, for example, solar products are exempt from taxes. But social entrepreneurs state that it requires significant effort to actually insist on this benefit, and in some cases they did not succeed and paid taxes.

What is the status of regulation across countries and sectors?

None of the countries studied has a specific legal form dedicated to SEs. In South Africa, SEs can register as Non-Profit Companies (NPC), and receive the status of a Public Benefit Organization (PBO), which allows them to receive donations or grants on a tax-free basis. In Kenya, a new Public Benefit Organization Act is being considered. In other countries, SEs must choose between an NGO and a company registration, or reflect their hybrid nature through a combination of both. In Uganda, SEs register as Companies with Limited Guarantee (CLG), Companies with Limited Shares (CLS) or as NGOs with an enterprise. In Zambia, Tanzania and Malawi, SEs register as NGOs or private companies and in some cases create hybrids.

Box 7. Example of a special legal form for SEs in South Africa

In South Africa, SEs can register as a Non-Profit Company or NPC. An NPC is defined in South African law as “a company incorporated for public benefit or other object relating to one or more cultural or

²³ Community interest companies: guidance chapters. United Kingdom.
<https://www.gov.uk/government/publications/community-interest-companies-how-to-form-a-cic>.

social activities, or communal or group interest”. By law, income and property of such entities is not distributable to any of its members or owners and must be used to “advance the purpose for which it was created”.²⁴ NPCs register with the Department of Social Development rather than the Department of Trade and Industry, as is the case for “regular” companies. Approved PBOs have the privilege and responsibility of spending public funds, which they derive from donations or grants, for the public interest on a tax-free basis.²⁵

Since SEs are not recognized in corporate law in the countries studied, no specific incentives or support instrument exist for them. Depending on their legal form and sector of activity, SEs may benefit from existing legal incentives such as tax waivers, VAT waived for key purchases in service delivery, and preferential public procurement. In South Africa, PBOs as well as microbusinesses are tax-exempt. Legal incentives may also be sector-specific. For example, in Zambia some solar power products and energy saving equipment is VAT exempt, yet this incentive is poorly implemented. In the education sector, sometimes private school requirements exist for minimum acres of land. This regulation does not differentiate between large, expensive boarding schools and small schools in congested slums.

The ease of doing business varies strongly across countries. In Kenya, South Africa, and Rwanda, the generally positive attitude toward the private sector translates into an enabling environment for SEs. Malawi, Zambia, and Tanzania have a low Doing Business Index and formalizing a business is generally a tedious and time-consuming process. Many SEs worry more about these issues than their lack of formal recognition.




Table 10. Status of SE regulation by country

| Country | SE regulation by country |
|---|---|
|  Kenya | Kenya does not have a legal form for SEs—most register as NGOs or companies. As noted, a Public Benefit Organization Act has been considered, but has stalled. There are tax exemptions for NGOs. Kenya is generally an entrepreneurial society with an enabling environment for the private sector, including SEs, as shown when it jumped 21 places in its Doing Business Rank in 2015. ²⁶ |
|  Malawi | Malawi does not have a legal form for SEs. They register as NGOs or companies. Regulatory incentives benefit large- and medium-sized companies. NGOs and non-profits receive tax exemptions. The ease of doing business is low. Foreign entrepreneurs and smaller local SEs are particularly challenged. |
|  Rwanda | Rwanda does not have a legal form for SEs. SEs often register as NGOs, which may conduct commercial activities. The new investment law improves business conditions, regulations and policies, but does not apply to SEs registered as NGOs. Framework conditions for doing business are good, but international NGOs face specific barriers that challenge the ease of operation. |
|  South Africa | The closest South Africa has to a legal form for an SE is an NPC. NGOs that qualify as PBOs are tax exempt under certain conditions and NGOs can develop hybrid business models. The ease of doing business is good and there are no minimum capital requirements to start a business. |

²⁴ Companies and Intellectual Property Commission. South Africa. <http://www.cipc.co.za/index.php/register-your-business/companies/register-non-profit-company>.

²⁵ South African Revenue Service (SARS). <http://www.sars.gov.za/ClientSegments/Businesses/TEO/Pages/default.aspx>.

²⁶ Doing Business Index. World Bank, Washington, DC. <http://www.doingbusiness.org/data/exploreeconomies/kenya>.

| | |
|---|--|
|  Tanzania | Tanzania does not have a legal form for SEs. Most register as NGOs. The NGO act allows income generation under certain conditions and many NGOs are tax-exempt. The ease of doing business is low. |
|  Uganda | Uganda does not have a legal form for SEs, but various hybrid forms are possible, such as an NGO with an enterprise element. Incentives favor large investors, making it hard for smaller SEs to benefit. SEs registered as religious, charitable, or educational institutions can benefit from income tax exemptions. The ease of doing business is relatively low. |
|  Zambia | Zambia does not have a legal form for SEs. SEs register as NGOs or businesses. MSMEs receive income tax exemptions for the first three to five years. VAT is waived for some solar products, but this incentive is not consistently applied in practice. The ease of doing business has dropped. Bureaucracy deters SEs from registration. |

Public-Private Collaboration

Why is public-private collaboration important for SEs?

Governments who have implemented a PPP policy with various mechanisms, including formal structures for public-private dialogue, are more likely to provide a conducive environment for SEs. In a mature environment, PPP policy exists and implementation is executed effectively in all sectors of policy focus. Further, legislation exists that promotes public procurement from SEs and other forms, or PPPs are implemented and complement the existing PPP framework. Finally, there are formal structures for public-private dialogue in which SE interests are represented.

Public-private collaboration and dialogue are especially important in the education sector, where SEs can provide valuable input on innovative teaching methods. In the water sector, SEs can depend on collaboration to access necessary infrastructure. Acknowledging the need for this collaboration and the role of SEs can lead to more innovative PPP policies that go beyond infrastructure development and focus on service delivery to the BoP.

What are the key barriers for SEs?

The growth and scale of SEs can be affected by the overall openness of governments to collaborate with the private sector, which is expressed in a well-implemented PPP policy and formal channels for public-private dialogue. One of the major barriers for SEs to engage with the public sector is the public sector's lack of understanding on the social added-value of SEs and their inability to consider anything other than the cheapest price in tender. Moreover, SEs also face the sector's lack of adaptation of procurement specifications and processes to the nature and value-added of their businesses, as well as hesitance to the innovation in forming new collaborative initiatives with SEs.

What is the status of public-private collaboration across countries and sectors?

Most countries have a PPP policy, but implementation differs strongly (Table 11). South Africa and Kenya show effective implementation with various PPPs being implemented each year. Implementation is slower in Tanzania, where a traditionally socialist public sector is reluctant to collaborate with the private sector. In Zambia and Malawi, the legal basis for PPPs has been created, but there has been no progress in implementation as of yet. In general, PPP frameworks are designed for collaboration on large-scale projects, such as building a bridge or dam. It is not suitable for collaborating with multiple small players. As a result, collaborations usually form outside of this framework.








Public-private dialogue and other modalities for PPPs exist and are often more suitable for collaboration with SEs. In Uganda, the Cabinet has not yet approved the new PPP policy, nonetheless

there is strong collaboration between the government and private sector in several areas, such as education and water provision. The government has established a facility to pay private water providers for their services. In education, several SEs collaborate with government in working groups of the ministry and as program and curriculum advisors. In Kenya, such working groups are active and the public sector sometimes finances SE schools and integrates them into the public school system. These examples reflect a positive development, but in most cases, SEs are too small to be an attractive government partner for a PPP since the transaction costs are too high and the scale is too small.

Box 8. Example of SEs in PPPs in Uganda

The government of Uganda partners with private schools through PPPs to improve BoP access to secondary education. The Ministry of Education, Science, Technology and Sports (MoESTS) regulates, monitors, and supervises education services provided by the private sector. Thus, SEs work within the government structures and systems. There are working groups within the ministry in which non-public service providers can participate and policies and reforms are developed and formulated in collaboration. The MoESTS also taps into the technical expertise of non-public providers to improve the quality of educational programs.

Table 11. Status of public-private collaboration by country

| Country | Public-private collaboration by country |
|---|--|
|  Kenya | The 2013 PPP act has improved enabling conditions for public-private collaboration and implementation is relatively effective but often focused on large-scale projects. Other modalities include partnerships for the implementation of health insurance schemes and procurement policies for disadvantaged groups. |
|  Malawi | The PPP framework stems from 2011. There is political will to advance public-private collaboration, but in there are many obstacles and little implementation. |
|  Rwanda | There is a draft PPP law. Currently PPPs are arranged on a contract basis and subject to several laws and policies. A number of public-private dialogue mechanisms exist at national and sector levels. |
|  South Africa | South Africa has a strong tradition of PPPs. Since 1997, an average of two PPPs has been signed per year. South Africa's Broad-Based Black Economic Empowerment (BBBEE) framework, aimed at translating the political liberation of South Africa's black majority in economic terms, can be construed as a form of public-private partnership with sector-specific targets. There is a PPP unit responsible for productive public-private dialogue related to the creation and completion of PPPs. |
|  Tanzania | The PPP policy from 2009 points to these collaborations as a viable means to address constraints of financing, management, and maintenance of public goods and services, but the public sector culture hinders implementation. |
|  Uganda | A PPP policy bill was passed in 2014, but in 2015 the executive arm of the government declined to sign it into law due to discussions on how to structure the governance of PPPs. Various PPPs have been implemented, especially in infrastructure. There is a BoP focus in PPPs for service delivery in the water sector. |
|  Zambia | Zambia does not have a tradition of PPPs. A PPP framework was developed in 2009, but there has not been progress in implementation. In the health sector, the government has a long-standing partnership with churches, with the public as clients and government as buyer of services. |

FINANCING SOLUTIONS DIMENSION

SEs operate in low-income communities, which is a difficult market segment to develop business for. In BoP markets, traditional businesses, especially SMEs, have limited internal resources and low lobbying capacity. Some SEs encounter challenges related to their setup as hybrid organizations, operating with non-profit and for-profit structures.²⁷

Access to funding is harder for organizations with no or low return on investment; commercial loans are often unaffordable for SEs with their low profit margins. Thus, financing for SEs requires innovative solutions that reflect their hybrid nature and social mission. Seeking to serve the BoP with a sustainable financial approach, they may combine grants, commercial, and consumer financing with revenues from sales of products and services. This section looks at the current state of funding opportunities across countries, identifying gaps and showing what is needed for SEs to be supported in various forms.

| | |
|----------------------------------|--------------------------|
| Policy and Regulation | Financing Solutions |
| Infrastructure and Human Capital | Information and Networks |

Grant Funding

Why is grant funding important for SEs?

SEs often use hybrid models that are not fully commercially viable, even though a significant part of the cost is covered by revenues. Still, commercial credit or equity is not a viable funding option.

Grants can provide SEs with the necessary seed and start-up capital for them to achieve proof of concept and increase their chances to access other forms of finance. Both public and private institutions can offer grants to SEs. Public grants often come in the form of donor funding. Private grants stem from foundations or large corporate CSR budgets. In a mature environment, public grants are government funded and SE-specific, and various grants from foundations and CSR budgets cater to SE needs.

What are the key barriers for SEs?

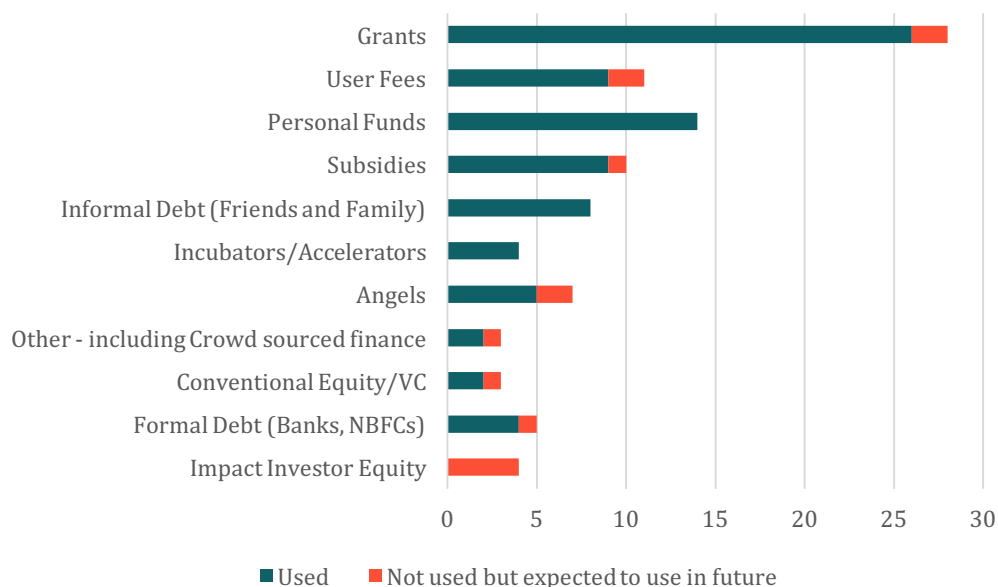
Grants are often available but the conditions often do not match SE needs. Grants are usually provided in three-year cycles or less and require exact plans of action and detailed reporting. For example, Freshwater Project International says: "Long-term funding has been and still is a very big challenge."

What is the status of grant funding across countries and sectors?

Grants and user fees are by far the most widely used sources of finance among SEs, as Figure 13 shows. The number of available grants differs strongly per country and are not targeting a specific stage of the SE development. For public grants, donors are the main providers. In Tanzania, Uganda and Kenya, SEs have access to a range of grants, mostly from international organizations including donors. In Kenya, some grants focus specifically on SEs (see the health example in Table 12). In most countries grants target either entrepreneurs or strict NGO models. In South Africa, various public agencies offer project-specific grants. In Malawi and Zambia, SEs see few grants, and then most are from donors. Public grants are usually limited to NGOs, leaving SEs registered as companies at a disadvantage.

²⁷ Battilana et al. Summer. 2012. "In search of the hybrid ideal", Stanford Social Innovation Review.

Figure 13. Different sources of funding for SEs



Source: SE interviews, N=46. Consistent data on government funding is not available in the data, but it is part of the funding mix for some SEs.








Foundations are the main providers of private grants. These do not necessarily target SEs explicitly, but can be relevant and accessible to them. In Malawi, important international institutions are active, such as the SEED Awards and the Bill and Melinda Gates Foundation. In South Africa, CSR budgets from large corporations play a major role as companies wish to position themselves as good corporate citizens. Zambia, Rwanda, and Tanzania see less corporate funding and foundations. Kenya is the most advanced: it harbours many private grant-making institutions that often cater specifically to SEs. Yet even in Kenya, many SEs do not know about these grants, and hence cannot benefit from them. Frequently, the same handful of highly visible, often internationally led SEs receive multiple grants. Table 12 provides examples of SE relevant grants by sector.

Table 12. Examples of grants for SEs by sector

| | |
|------------------|--|
| Education | DFID Girl's Education Challenge The Girls' Education Challenge projects and partnerships implement a diverse range of interventions to provide girls with access to education, materials, safe spaces to learn, and a voice. They help to mobilize and build capacity within governments, communities, and schools and train and mentor teachers, governors, and community leaders. Projects target marginalized girls, girls with disabilities, and migrant communities. Several SEs have been funded. |
| Energy | Ashden Awards Ashden is a charity that champions and supports leaders in sustainable energy to accelerate the transition to a low-carbon world. Each year, the Ashden Awards are handed out at a prestigious ceremony in London to pioneering sustainable energy organizations that receive grants of between approximately USD 14,500–USD 58,000. Beyond receiving the grant, winners gain access to a global platform to promote their work and to a community of sustainable energy leaders. Working with expert partners, Ashden also offers award winners a support package to help them expand. The package is tailored to each winner and ranges from mentoring and business and technical guidance to introductions to financing. They also help broker partnerships between winners so they can increase their impact. A number of SEs have been supported. |
| Health | The Private Sector Innovation Program for Health (PSIP4H) With funding from DFID, partners implement an innovative program in Kenya that explores the markets in which poor people pay for-profit providers and shopkeepers for healthcare. The overall objective of the PSP4H program is to learn lessons of how a market systems approach might benefit pro-poor health interventions. PSP4H is based on principles from the Making Markets Work for the Poor (M4P) approach. |

| | |
|-----------------------------|--|
| Water and Sanitation | Bill & Melinda Gates Foundation The Bill & Melinda Gates Foundation's Water, Sanitation & Hygiene program focuses on developing innovative approaches and technologies that can lead to radical and sustainable improvements in sanitation in the developing world. The program focuses on grant making in the area of waste containment (toilets), emptying (of pits and septic tanks), transportation (to sewage treatment facilities), waste treatment, and disposal or reuse in urban and peri-urban areas. A number of SEs have been supported. |
|-----------------------------|--|

Table 13. Status of SE grant funding by country

| Country | SE grant funding by country |
|---|--|
|  Kenya | Many grant-making institutions provide grants that also cater to SEs (e.g., PSIP4H). Many grants reach self-identifying SEs, primarily in the capital region. Awareness among other types of SEs about grant options is often low. |
|  Malawi | Limited grants are available. Most public and private grant making comes from international donors and institutions. There is little support from the government and access to public support favors NGOs over businesses. |
|  Rwanda | Many regional and international grants are available for SEs in Rwanda, such as the Africa Enterprise Challenge Fund, which is funded by the UK government. |
|  South Africa | Much of the grant funding comes from large corporates, such as Old Mutuals Foundation. The National Youth Development Agency offers specific grants for young entrepreneurs (14–35 year olds). |
|  Tanzania | Donors provide most of the grants, but a limited amount are related to SEs. Recently USAID funded a solar company, indicating that there might be more focus on this type of grant. There are some corporate CSR activities. |
|  Uganda | Donors provide most of the grants. The government provides some entrepreneurship grants and loans. Foundations provide some sector-specific grants. Some examples target SE-type models, such as the UNCDF Clean Start Energy Access Challenge, which supports financial institutions and other enterprises focusing on affordable clean energy. |
|  Zambia | Donors such as the DFID and USAID provide most of the grants and play a key role in the health care and energy sectors. There are some CSR and foundation grants. SEs have fewer grant options than in East Africa. |

Commercial funding

Why is commercial funding important for SEs?

Commercial funding enables SEs to invest in start-up costs, rollout or scale-up of their business models. Banks, impact investors, and MFIs can all be useful sources of commercial funding for SEs, provided they offer suitable conditions for the start and growth of SE business models. In a mature environment, SEs of various stages and sizes have access to commercial funding from banks at reasonable interest rates. A variety of impact investors are locally active and provide funds for different ranges of capital, and there is a mature MFI industry that is important for SEs.

What are the key barriers for SEs?

SEs usually cannot find commercial funding to scale up their operations because interest rates are high, and banks only finance low-risk investments. Commercial bank loans in Malawi have more than 40 percent interest rates and microfinance loans have more than 60 percent interest rates.²⁸ SEs only resort to lending for small investments such as machinery. But

What is the status of commercial funding across countries and sectors?

To date, commercial credit from banks is hard to access in all the reviewed countries (Table 14). Interest rates are high, and SEs structures are confusing for banks. In studied countries, SEs do face the same challenges that SMEs face accessing commercial funding, which is especially challenging.

There are large differences between countries with regard to the impact investing sector. Overall, few SEs in our sample have benefitted from impact investment funding. SEs, such as Bridge International or M-KOPA, have a high profile and receive a lot of support, while especially locally led SEs have difficulty understanding how they can benefit from impact investment. Malawi has no local impact investor offices, and consequently impact investing plays a minor role for Malawian SEs. Zambia is in a more emergent stage with three active funds. These position themselves as targeting SMEs more broadly, and SEs as a subset. In South Africa, the impact investment scene is local, active and growing. Kenyan and Ugandan SEs have access to a variety of well-known international impact investors with local branches that have increased their activity in the past years. Nevertheless, many local experts say that the link between SEs and impact investors can be improved and that impact investors often have unrealistic requirements for evidence of potential or actual impact and/or return on investment, that do not match the reality of SEs.








MFIs are active in all countries, but they are hardly accessible to SEs due to their high interest rates, which are often higher than those of banks. In Uganda, micro-financing for SEs is seen in agriculture, but not in service delivery sectors. In Kenya, MFIs have slightly lower interest rates than banks and are important, but hard to access. South Africa has a mature MFI industry that is important for SEs. Several respondents mentioned that network or franchise based models sometimes benefit from micro-financing to enable their small entrepreneurs to upgrade services.

Box 9. Example of commercial funding solution in East Africa

Some financial institutions combine grant and commercial funding. GroFin (www.grofin.com) leverages patient capital in the form of loans along with specialized business support for small and growing businesses. The GroFin East Africa Fund (GEAF) is a private equity fund supported by corporate foundations and local East African banks. The GEAF operates in Kenya, Rwanda, Uganda and Tanzania, with the objectives of generating employment, strengthening value chains and building markets. In 2014, GroFin established a presence in Zambia and invested over USD 4 million in Zambian MSMEs. Although GroFin does not explicitly focus on SEs, their strategy of funding entrepreneurs with patient capital based on the viability of their business plan rather than collateral poses a significant opportunity for SEs.

²⁸ Jim McGill, Mzuzu SMART centre for water and sanitation, June 27, 2015.

Table 14. Status of SE commercial funding by country

| Country | SE commercial funding by country |
|---|--|
|  Kenya | Kenyan banks are more willing to lend than their regional peers, but high interest rates remain a challenge for SEs. The country has the highest number of impact investors in East Africa. MFIs are important but also hard to access for SEs. |
|  Malawi | Commercial funding is largely inaccessible to SEs in Malawi due to high interest rates and short payback periods. |
|  Rwanda | Commercial credit from banks is hard to access due to high interest rates and high collateral requirements. Government and development bank partnership offer guarantees and other financing options for SMEs. Investors are increasingly focusing on Rwanda, but this has not significantly affected service sectors. |
|  South Africa | SEs can access commercial credit from banks such as the Standard Bank of South Africa and Asba Bank at reasonable interest rates and there are tailored interest rates for MSMEs. There is a small but growing active network of impact investors working with MSMEs and SEs. The MFI industry is important for SEs. |
|  Tanzania | Accessing commercial credit from banks is very hard for SEs in Tanzania as banks are unwilling to invest in start-up or early-stage enterprises, have high interest rates and strict collateral requirements. The number of impact investors is similar to Kenya but activity is much lower. MFIs sometimes service SEs but at interest rates that are even higher than banks. |
|  Uganda | Commercial banks in Uganda have very high interest rates. Government banks and the Micro Finance Support Center (MFC) provide cheaper alternatives, but these are hard to access due to large demand. Impact investors and MFIs focus mainly on the agriculture sector. |
|  Zambia | In Zambia, commercial credit from banks is difficult to access due to high interest rates. There is little impact investment and MFIs have limited reach. |

Consumer Finance

Why is consumer finance important for SEs?

Consumer finance enables low-income consumers to access products and services that would otherwise be unaffordable. Consumer finance can be provided by formal financial institutions, such as MFIs, as well as informal institutions, such as savings and credit groups, and government payments to consumers. In a mature environment, MFIs as well as informal savings and credit institutions provide affordable loans to low-income consumers and/or governments enable consumers through direct payments (such as vouchers) or insurance systems to articulate their need. Consumer finance is especially important in the energy sector, where consumers have to invest in solar or other off-grid equipment in order to save money over the mid- and long-term.

What are the key barriers for SEs?

Adequate consumer finance to make the lump sum payments of then required for service access affordable for BoP consumers rarely exists. Customers usually have little disposable income and hence need to finance larger purchases. John Matias, a sanitation entrepreneur in Blantyre, Malawi, says: “Most of my customers cannot pay for the services upfront. I could provide credit because I know the landlords but I’m also missing the capital to build the toilets first and wait for their payments. I used to have a contract with a bank that provided the funding for my clients but the bank is not doing this anymore.”

To compensate for lack of consumer financing several SEs in the sector are introducing pay-as-you go mobile finance, but are often challenged on the cash flow of these financing services. Many sanitation solutions also come at significant upfront costs, but usually without concrete financial savings, making external financing even more challenging. Ad hoc expenses for health needs are a major driver of indebtedness, and health insurance and other appropriate financing solutions could avoid this risk.

What is the status of consumer finance across countries and sectors?

Formal consumer finance is mostly unavailable in the countries and sectors under review (Table 15). Renewable energy is the only type of investment that most MFIs would be prepared to fund. While MFIs may exist, they usually do not provide loans for consumption purposes, and interest rates are high. In Malawi, for example, FINCAs, privately owned smaller MFIs, provide credit at interest rates between 60 percent and 120 percent per annum and payback periods between 1 and 3 months, conditions that are not appropriate for consumer finance. Initiatives in East Africa are trying to strengthen suitable MFI solutions for example in the water and sanitation sector. In Tanzania, several organizations in the sector have pooled efforts to build capacity among MFIs on sanitation loans.²⁹ In Kenya and Uganda, organizations such as Water.org are pushing to link water and sanitation programs with MFI institutions.

Box 10. Example of consumer financing through a credit system

Water.org has developed a WaterCredit system to enable MFIs to offer small loans for water or sanitation investments. As of September 2015, WaterCredit worked through 47 partners, had facilitated 692,000 loans and according to their estimates benefitted 3 million people across 14 countries, including Kenya and Uganda.








The main source of finance for low-income consumers are informal savings and credit groups used in all countries to finance smaller expenses. The most widely used consumer finance mechanism is the Rotating Savings and Credit Group (ROSCA), called Chilimbas in Zambia and Chamas in Kenya—a group of 10 to 15 people regularly put a certain amount into a pot, and one person of the group receives it. Even though their use is limited, they are usually the only source of consumer finance for the BoP. Larger informal institutions, such as savings and credit cooperatives (SACCOs) play a minor role financing services or products in the sectors studied. South Africa is an exception to this overall picture, as MFIs play a significant role in consumer finance, so much so that debt among low-income consumers is becoming a concern.

Government funding for consumers is rarely available in the countries and sectors studied, but some governments together with development partners are finding ways to support consumer finance in areas with little or no public services. In education, public voucher systems have been tested. For example, the World Bank is involved with Kenya through the Technical and Vocational Vouchers Program, where part of the test group can access private programs. In energy, several governments are testing how they can support market players. As noted a growing number of SEs address the consumer finance gap with in-house financing solutions, but face cash-flow challenges. In Uganda, public energy players in collaboration with financial institutions and the World Bank are trying to support these types of private solutions by providing working capital for solar companies to fund pay-as-you-go financing models. In addition, they test models that offer financing schemes for low-income

²⁹ Share Research Consortium. 2015. “Developing microfinance for sanitation in Tanzania”.

consumers purchasing solar products with cash.³⁰ This development shows how the public sector in parallel with own efforts to roll out services can enable SE models and increased access.

Table 15. Status of SE consumer finance by country

| Country | SE consumer finance by country |
|---|--|
|  Kenya | Innovative consumer finance models are being tested in Kenya, including loan schemes, voucher models and pay-as-you-go products (mKopa and SunnyMoney). SACCOs are used in some cases as end user financing. |
|  Malawi | There is no affordable consumer finance in Malawi. Interest rates of SACCOs and Village Saving and Loan groups and MFIs are too high and the government does not provide and forms of direct consumer finance. |
|  Rwanda | Informal finance options of Village Saving and Loan groups are an important source of consumer finance. MFIs do generally not service the BoP unless donors cover part of the risk. |
|  South Africa | The MFI sector of South Africa plays an important role in consumer finance, but there are concerns over increasing debt among the BoP. BoP households frequently use Informal saving groups. |
|  Tanzania | MFIs have increased their presence in Tanzania in recent years. SEs sometimes provide in-house consumer finance options, when MFIs do not service their customers. |
|  Uganda | In Uganda, SEs often have to develop their own solutions for consumer finance because available options are not affordable. As noted, the World Bank and partners are testing new models. |
|  Zambia | The MFI sector in Zambia is small but has a growing customer base. The BoP use informal saving groups (Chilimbos) for larger or unforeseen purchases. |

³⁰International Development Association Project Appraisal Document. 2015. http://www-wds.worldbank.org/external/default/WDSPContentServer/WDSP/IB/2015/05/20/090224b082ea649e/1_0/Rendered/PDF/Uganda000Third0tion0Program0Project.pdf

INFRASTRUCTURE AND HUMAN CAPITAL DIMENSION

Affordable and reliable infrastructure and a skilled work force provides a solid foundation for operations of SEs providing service delivery to the BoP. This counts for both general infrastructure and connectivity, including mobile money. Whether a SE can hire the staff it needs depends on the general skill level in the population, but also on the attractiveness and competitiveness of SEs as employers, and the presence of specialized education programs. This chapter looks at the current state of infrastructure and skills within the countries studied.

| | |
|----------------------------------|--------------------------|
| Policy and Regulation | Financing Solutions |
| Infrastructure and Human Capital | Information and Networks |

Infrastructure

Why is infrastructure important for SEs?

Infrastructure, including connectivity, enables or constrains SEs in their ability to operate in their local environment. The advance of mobile payment systems is a major enabler for the functioning of SEs in sectors such as water and electricity. In a nascent environment, there is poor mobile coverage and the general infrastructure is weak and expensive. In a mature environment, infrastructure, including Information and communications technology (ICT) infrastructure, is good and affordable and mobile money is widely available.

What are the key barriers for SEs?








SEs that reach out to rural areas face high transportation costs due to poor and limited roads, but even in peri-urban areas, transportation is an issue. John Matias, a sanitation entrepreneur, explains: “Expenses for transportation account for around half of my total costs. Besides pit emptying, getting sand and other building materials to the workplace is very costly.”

What is the status of infrastructure across countries and sectors?

General infrastructure creates problems for last-mile distribution for SEs in all countries studied (Table 16). With the exception of South Africa, all countries face significant infrastructure challenges. In South Africa, roads, railways, and other forms of transportation are generally world-class but do not serve poor residential areas. Power cuts increasingly interrupt the electricity supply. In Malawi, the infrastructure is highly challenged. An interview with a SE revealed that transportation costs make up to 50 percent of total costs for the enterprise. In rural areas, the quality of roads is poor and transportation is expensive. Many places are hard to reach by road, rail, or air. Electricity grids are focused on major cities, and ICT coverage is still low but emerging. Zambia shows a similar profile to Malawi. The Rwandan road network is underdeveloped in rural areas, challenged by the hilly landscape and heavy rainfalls. Water and energy supplies are unstable. Overall, there is a strong rural-urban divide in most countries, posing problems in costs and reach for the many SEs trying to provide services to rural populations.

Connectivity infrastructure is rapidly expanding in African countries. Mobile money is becoming an important alternative to traditional banking and an enabler for SEs. In South Africa, the ICT infrastructure is generally well developed, but with high prices attached. South Africa is slow to adopt mobile money solutions. In Malawi, prices for ICT are among the highest in the region and coverage is still low but emerging, as are mobile payments. In Zambia, internet connectivity lacks coverage outside urban centers and mobile money is nascent. Rwanda shows strong mobile money infrastructure with several providers, and this option is consequently widely used. In Tanzania, mobile infrastructure is quickly expanding, but affordability is challenging for the BoP. Mobile money is important though and is the preferred form of banking in the country. Mobile penetration in Kenya is high, and mobile banking has become an important driver for SEs.

Table 16. Status of infrastructure by country

| Country | Infrastructure by country |
|---|---|
|  Kenya | A main infrastructure challenge for SEs in Kenya is low access to electricity in rural areas. Mobile banking and mobile penetration are drivers for SEs, since they enable pay-as-you go payment schemes, among other things. |
|  Malawi | Infrastructure in Malawi is highly challenging for business. Costs for transportation and office space are very high. There is low mobile phone penetration and internet and telecommunication costs are among the highest in the region. |
|  Rwanda | Water and energy supplies are unstable in Rwanda and the road network is underdeveloped. The mobile infrastructure is strong and has high coverage. Mobile money systems are offered by various companies and are used widely. |
|  South Africa | South Africa generally has good infrastructure but costs of electricity and telecommunication services are rising. The quality of infrastructure in low-income communities is lower than in other communities. |
|  Tanzania | Water and electricity infrastructure does not cover rural areas in Tanzania. Mobile infrastructure is expanding but remains expensive. Mobile money is the preferred banking method for many people, including BoP. |
|  Uganda | Infrastructure in Uganda has sector specific challenges, such as poor electricity access in rural health clinics. Mobile money services are expanding. |
|  Zambia | Infrastructure in Zambia is highly challenged. Road networks are poorly maintained, especially in rural areas. The energy infrastructure is weak. Mobile money is nascent and mobile connectivity is expensive. |

Skills

Why are skills important for SEs?

SEs have a rather complex human resources profile, requiring business as well as social work skills and motivations. Three factors define the availability of skilled staff for SEs: the general skill level in the country, the competitiveness and attractiveness of SEs as employers, and the existence of education programs for entrepreneurship and SE. In a mature environment, the overall skill level is high. There is a positive image of the SE sector, salaries in the sector are competitive to others, and staffs are loyal. Several institutions have introduced academic programs focusing on social entrepreneurship at various levels.

What are the key barriers for SEs?

Many of the countries studied do not have qualified staff, and the increased competition for such staff drives up salaries and increases turnover. SEs across the region lament that they must invest significant resources in training staff, only to see them move on to a better paying employer. SEs are often expected to measure social impact, but this requires extra resources and people with technical skills.

Dirk Pieter Indzenga, of Id Solar Solutions in Zambia, says: “The problem is high turnover. Once people have built up some experience, they can be tempted to move on to the next, higher paying job.” Mark Hemsworth from Rent to Own in Zambia says: “Local talent costs at least five times more than the cost of an expat. As a small business, we don’t have those kinds of funds.” Solar Sister in Uganda faces a similar situation: “Getting skilled human resources willing to work for a start up with limited resources is not easy. There are limited training opportunities for staff in both technical and management skills.”

Box 11. Example of institution dedicated to social entrepreneurship

The Bertha Centre for Social Innovation and the Graduate School of Business (University of Cape Town) is the first academic institution in Africa dedicated to social entrepreneurship. The center provides a range of services catering to inclusive business, social entrepreneurship, and investment in the BoP. Educational programs include inclusive innovation studies and social innovation labs to provide students with in-depth understanding of SEs. In addition, the center funds research on healthcare and education initiatives and financing mechanisms.

What is the status of skills across countries and sectors?

The general skill level across countries is nascent in all countries except Kenya and South Africa (Table 17). Other countries show low levels of general skills and skills relevant to SEs. For SEs, the consequence of poor educational systems means that skills are learned in practice rather than through formal education.

The competitiveness and attractiveness of SEs as an employer is mostly weak, even in countries with relatively strong maturity in other ecosystem dimensions. In Kenya, SEs are seen as small-scale businesses that are not attractive employers. They are also outcompeted in stability and salary by NGOs and private sector companies. This makes it challenging for SEs to find middle managers and executives. The East African Aspen Network of Development Entrepreneurs chapter hosted a career fair to showcase SEs. Human resource marketing activities like this are needed to change the image of SEs. In several countries, such as Rwanda, SEs are often perceived as charity organizations and most people prefer to work for a for-profit business instead, since this has higher status. In Zambia, SEs enjoy a positive image but are still outcompeted by the private sector. South Africa is the only country out of the seven studied in which SE salaries compete with NGOs and the private sector.








Education programs that focus on social entrepreneurship are emerging throughout the continent (Table 17). South Africa, Uganda, and Kenya have several university-level courses on aspects of social entrepreneurship. The programs raise awareness and develop new generations of social entrepreneurs and employees. These efforts are important to shift SE development from an expat-dominated field to local ownership. The image of SEs as charities in some countries is reflected in education for social entrepreneurship, which is batched together with non-profit studies that focus on how to run NGOs. In Malawi, there are some entrepreneurship classes, but few with a focus on SE and there is a low standard of technical training.

Table 17. SE training programs

| Training Program | Country | Description |
|---|--------------|--|
| True Maisha | Tanzania | Five-day SE training for current or future entrepreneurs |
| Gordon Institute of Business Science’s Social Entrepreneurship Program (GIBS, University of Pretoria) | South Africa | Seven-month course on social entrepreneurship and sustainability |
| Centre for Social Entrepreneurship and Social Economy (University of Johannesburg) | South Africa | Courses in SE management and business leadership |

| | | |
|-------------------------------------|--------|---|
| Uganda Martyrs University | Uganda | Masters in Global business and Sustainable Social Entrepreneurship focusing on business skills and sustainability |
| Makerere University Business School | Uganda | Bachelors in Entrepreneurship and Small Business Management |

Table 18. Status of skills by country

| Country | Skills by country |
|--|---|
|  Kenya | Kenyan SEs have difficulties finding middle managers and executives, especially as young companies. Job seekers prefer the higher stability and salaries offered by NGOs and the private sector. Several Kenyan institutions have introduced academic programs focusing on social entrepreneurship at various levels. |
|  Malawi | Malawian SEs face a low skill level in the general population and a weak entrepreneurial culture. Business and technical skills, including business plan writing and market analysis, are among the biggest gaps in relevant skills for SEs. NGOs, donors, and large companies offer higher salaries than SEs. |
|  Rwanda | In Rwanda, SEs are perceived as charities or non-profits and many people prefer to work for for-profit enterprises. Those who are interested expect high salaries because SEs are seen as international organizations. The quality of education is generally low and graduates lack skills relevant to SEs. |
|  South Africa | In South Africa, there is a lack of skilled workers, but people want to be seen as having a social impact in society. SE salaries are competitive. Several academic and non-profit institutes offer courses on social entrepreneurship and social innovation. |
|  Tanzania | The education system in Tanzania is poor. The SE sector is seen as charity and has trouble meeting salary expectations. Some courses that focus on SE are emerging. |
|  Uganda | The education system in Uganda is often theoretical and graduates lack necessary practical skills. SEs have difficulty finding lower level staff. NGOs and donor organizations offer higher salaries. There are a few university programs that focus on social entrepreneurship. |
|  Zambia | Zambia has a low skill level overall. SEs enjoy a positive image among staff but the private sector offers higher wages. There are no education programs specific to SEs. |

INFORMATION AND NETWORKS

SEs need to stay on top of the latest developments in SE innovation and understand their target populations to be able to come up with effective business solutions. This section looks at the level of capacity building, research and data, and organizations engaging in coordination and advocacy.

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|----------------------------------|--------------------------|
| Policy and Regulation | Financing Solutions |
| Infrastructure and Human Capital | Information and Networks |

Capacity Building

Why is capacity building important for SEs?

Capacity building strengthens a SE by providing training, incubation of business models, and other services tailored to their unique needs. In a mature environment, dedicated organizations provide capacity building to SEs for relevant technologies as well as management. Various SE incubators are active and there is a wide range of other activities such as challenges and career fairs that cater specifically to SE needs. Often, organizations take on simultaneous roles as training facilities, incubators, and drivers for other forms of capacity building.

What are the key barriers for SEs?

Entrepreneurs are often not properly equipped to take their enterprise from a small project to a large organization. Capacity building services are available in some countries, but often only reach well-connected SEs in the capital region. Empower, in Malawi states: "The biggest challenge for us is a lack of mentorship and on-the-go capacity building." While capacity building remains difficult to access for SMEs in general in many of the countries studied, getting the specific support on how to build a SE is even harder. SEs therefore tap into various sources of support, including online courses offered on an international level.

What is the status of capacity building across countries and sectors?

The availability of SE relevant training is limited but growing in several countries (Table 19). Kenya again leads the field, with a wide range of organizations, networks, consulting firms, incubators, and educational institutions that provide training to SEs, often in combination with other services. South Africa also has a strong presence of training organizations and courses; again, the contribution from CSR programs is notable. In Uganda, the energy sector sees technology-specific training and one active incubator, but management training is limited. In Malawi, training is overall poor with the exception of the water and sanitation sector, which has two well-established capacity building organizations. Zambia and Tanzania have only a few actors providing capacity building, but they do provide specialized SE training. In Tanzania training tends to be biased toward ICT SEs. In Rwanda, training does not focus on SEs, but general capacity building for NGOs and the public and private sector exists.

Box 12. Example of training social entrepreneurs in Tanzania








True Maisha, a Dar es Salam based training company, offers a five-day training for current or future entrepreneurs to become innovative and creative social change makers. The training introduces participants to SE as an approach for intervening in pressing social issues through entrepreneurial principles and business models. Participants conceptualize innovative business ideas and are assisted in developing them within the classroom setting and beyond.

Kenya, South Africa, and Uganda have a variety of incubators, some specific to SE and some targeting the private sector more generally but still relevant for SEs. In Zambia, a small number of incubators and social innovation hubs have emerged over the past five years, and SEs in Rwanda can turn to the

recently founded Impact Hub in Kigali. Incubators in Tanzania focus strongly on ICT start-ups. The scene for incubators in Malawi is nascent.

Other capacity building approaches include hubs that support start-ups in general. For example, in Malawi, mHub provides office space and internet and personal support. Ugandan capacity building organizations host challenges in the field of agriculture that could show the way for other sectors in the future.

Table 19. SE capacity building by country

| Country | SE capacity building by country |
|--|--|
|  Kenya | Kenyan SEs have access to a broad range of training offered by organizations, networks, firms, consultancies, SE incubators, and educational institutions. Ashoka, the Acumen Fund, and Schwab Foundation are examples of organizations that support SEs in Kenya. |
|  Malawi | Malawi has little capacity building and no incubators for SEs, but some hubs offer office space and support. |
|  Rwanda | Rwanda has limited specific SE training. There is some general capacity building for NGOs and the public and private sectors. In 2015, the SE incubator and co-working space Impact Hub Kigali launched. |
|  South Africa | There are various providers of capacity building for SEs in South Africa, including several incubators. Large corporations offer skills trainings and education programs as part of their CSR programs. |
|  Tanzania | There is some technical and SE related training in Tanzania provided by donors, private training companies, and hubs. Most hubs focus on IT related activities. |
|  Uganda | Donors in Uganda offer technical assistance and capacity building in specific sectors. There are various incubators. |
|  Zambia | Some organizations in Zambia provide skills training that is also relevant to SEs. A number of small hubs and incubators have emerged in the past year that offer SE support and training. |

Research and Data

Why are research and data important for SEs?

Like any other enterprise, SEs need access to quality research and data on their target groups, competition, and general business environment as they create and adapt products, services, and business models for services delivery to the BoP. General data availability and research from academic and non-academic organizations can provide the needed information. In a mature environment, BoP information gathered and made available by government and other actors is current and accessible to SEs. There is an active established research community providing publications on SEs and related topics, and there are dedicated and frequent non-academic publications on the topic in the country from national and international actors.

What are the key barriers for SEs?




SEs lack data and statistical systems to build solutions and show the impact of their interventions to funders, impact investors and governments. Public data is often outdated and not granular enough and collecting data is expensive. CHAM in Malawi says: "Data collection and use is currently our biggest challenge. We cannot show our impact to potential investees, which makes resource mobilization difficult." In addition, social entrepreneurs mention the challenge of reporting different data sets to different social investors. While efforts have been made to standardize measurement approaches and indicators, e.g., with the Global Impact Investing Networks' IRIS standard, these efforts have not yet led to a unified reporting system.





What is the status of research and data across countries and sectors?

Data availability on SE target populations differs widely per country and sector (Table 20). In the water and sanitation sector in Uganda, the government gathers and publishes relevant information on the BoP, and NGOs also publish their data. In the energy sector in Zambia, SEs have to conduct their own research from the start, and experts use information from other countries that they then tailor to the Zambian context. Organizations such as Bridge Academy base their business models on extensive data collection on the communities they operate in to assess parents' perception of services and ability and willingness to pay for education. Many other SEs need to rely on trial and error. Many expat-led SE efforts struggle with faulty market assumptions and lack understanding of BoP needs and preferences. As the approach matures, and more information on good practices to build SEs becomes available, conducting proper market research and involving local experts is becoming more common. Yet, many social enterprises cannot afford professional support in the early stages of their venture, and thus struggle with the specific methodologies and access to local expert networks.

Academic researchers who form a local research community dedicated to SEs and related topics are found in South Africa, Kenya, and Uganda. In South Africa, two research institutes collaborate with the University of Capetown to provide data on BoP markets, social innovation, and SEs. Kenya and Uganda have seen a steady rise in interest for social entrepreneurship from within the country and abroad. The SE landscape of Tanzania features in international academic research, but a local community is yet to be established. Non-academic research documentation stems mostly from international development institutions. As a result, research usually just reflects one point in time rather than information that is updated on an ongoing basis. In several sectors, databases of innovative models are collected and can be important sources of information for new enterprises (such as healthmarketinnovations.org or World Bank sector learning sites).

Table 20. SE research and data by country

| Country | SE research and data by country |
|---|---|
|  Kenya | The SE sector has seen a rise in interest from academic and non-academic researchers in Kenya and abroad. The local research community in the field is still nascent, however. BoP data varies across sectors. |
|  Malawi | Quality data on the BoP market in Malawi is limited and fragmented and government data is often outdated and/or inaccurate. There is some academic research on social innovation. Non-profits conduct non-academic research but this information is fragmented and rarely shared. |
|  Rwanda | The research community around SEs is very limited in Rwanda. |

| | |
|---|---|
|  South Africa | There is much non-academic data collection and sharing by a small but active number of private, public and civil society organizations. The University of Cape Town supports various institutes that conduct research on BoP markets, social innovation, and social entrepreneurship. |
|  Tanzania | Available data varies across sectors for SEs in Tanzania, and most SEs must do their own research. |
|  Uganda | The availability of BoP market data varies strongly per sector with relatively good statistics in the water sector. |
|  Zambia | There is little research and data available for SEs in Zambia. Some multi-national projects include SEs in Zambia in their scope. |

Coordination and Advocacy

Why are coordination and advocacy important for SEs?

Coordination and advocacy organizations support SEs in tackling common challenges across a country or region and providing a common voice to the sector. Exchanging experiences with peers through SE networks enables SEs to find solutions to shared problems and be inspired by innovative approaches. In a mature environment, SE-specific networks enable knowledge exchange, collective action, and effective advocacy, and receive support from advocacy organizations such as Social Enterprise UK

What are the key barriers for SEs?

In all countries, studies SEs do not have a “one stop shop” SE sector organization. SEs suffer from a lack of entity that represent their interest, engage in public dialogue with the government and acts as a bridge of information on existing supporting infrastructure, networks, funding, network opportunities and others.

What is the status of coordination and advocacy across countries and sectors?

Because SEs do not yet self-identify as a group, there is limited coordination, mainly through informal networks (Table 21). East Africa sees more formal coordination and advocacy emerging, with multiple organizations connecting entrepreneurs across the region. In Kenya, key players, such as Ashoka, support SEs through capacity building, networking, research, financing, and advocacy. These organizations have regional reach, but are not always active in all countries. They often have offices in Kenya and operate regionally from there. For example, Uganda is part of many regional organizations but these do not have local offices. South Africa has local organizations active in coordination and advocacy, such as the Gordon Institute of Business Science’s Network for Social Entrepreneurs. In the other countries, SEs associate with international or civil society actors.

How active are the SE networks?








Kenya shows high activity with both national and regional organizations active and growing, but experts indicate that there is still a lack of a strong network. Other countries in East Africa are formally within the scope of regional networks, such as the Aspen Network of Social Entrepreneurs (ANDE), but this does not guarantee a strong local presence. In Uganda, regional East African networks show low activity and there is no national SE network. Tanzania and South Africa are gaining momentum with one or more active SE networks, and several countries have more informal SE happy hours or

meetups. In Uganda, Malawi, and Rwanda activity is low, so SEs participate in civil society networks or individual entrepreneurs join international networks.

Box 13. Example of network of social entrepreneurs in East Africa

The Aspen Network of Social Entrepreneurs (ANDE) is a network organization for entities that supports small and growing business in East Africa and encourages regional members to identify common challenges to address collectively. The East Africa Chapter hosts quarterly meetings in Nairobi to share best practices for supporting entrepreneurs and seek out opportunities for collaboration. ANDE is not SE-specific, but it organizes many members that have a SE focus and hence includes themes relevant to SEs.

Table 21. SE coordination and advocacy by country

| Country | SE coordination and advocacy by country |
|---|--|
|  Kenya | Kenya has a wide range of international coordinating actors, including foundations such as ANDE, Ashoka, and the Acumen Fund. Different networks related to SEs also exist at the sector level. |
|  Malawi | In Malawi, no official network of SEs exists, and SEs have limited influence in existing coordination bodies. Mostly informal small networks exist, with minimal knowledge exchange. |
|  Rwanda | East African regional networks are also active in Rwanda, and SEs participate in civil society networks. Impact Hub Kigali (http://impacthub.rw) serves as a networking platform. |
|  South Africa | There are a small number of networks and SE communities in South Africa, including African SE Network (ASEN) and the Gordon Institute of Business Science's Network for Social Entrepreneurs (NSE). The media regularly covers SEs and social innovation in print, online, radio, and television. |
|  Tanzania | Tanzania has a monthly Social Entrepreneurship Network Forum and hubs that link organizations. There are no other coordinating bodies specifically for SEs. SEs participate in sector-specific networks that advocate for social impact. |
|  Uganda | East African regional networks are also present in Uganda but have low activity. There are various sector-specific networks but no national SE network. |
|  Zambia | Coordination and advocacy for Zambian SEs is scarce. Some individual social entrepreneurs are members of global networks, such as Ashoka and the Schwab Foundation. The Practitioners Hub (www.inclusivebusinesshub.org) functions as a platform for inclusive business and SE actors. |

Recommendations

Creating and sustaining supportive ecosystems that enable SEs to flourish can be an effective approach to close service delivery gaps. Ecosystems are complex and their elements are interdependent, making facilitation and holistic planning essential success factors.

Governments play key roles in delivering services, setting the country agenda, and providing adequate support instruments for an agenda to develop. Thus, governments are critical to support and advance SE ecosystems, but other actors also have a role to play, including intermediaries, research institutions, and donors,

Based on the research of this report and the first-hand experience of the SEs interviewed and profiled, several recommendations can be made to improve the four dimensions critical for SE success in these early and emergent ecosystems:

Policy and Regulation

- Recognize SEs as important players in innovative service delivery, define their role in policy, and actively engage the private sector and civil society in service implementation.
- Create and institute a specific legal form that is recognized as such by the government, which can provide the legal grounds to grant certain incentives and recognition and provide SEs with a general ease of doing business.
- Advance public-private collaboration and dialogue to provide a more conducive environment for SEs to operate efficiently.
- Build the government's capacity on the SE sector, including defining SEs, proving a rationale for government support, and understanding of policies and regulations to support the SE sector.

Financing Solutions

- Provide further grant funding for SEs in seed and start-up phases for them to test and refine their business models and prepare them to access other forms of finance.
- Pilot additional innovative financing solutions for SEs that reflect their hybrid nature and social mission, including ways to combine public and private grants, patient capital, and consumer financing.
- Improve SE access to commercial credit and micro-finance through the viability of cash flows and effective business plans.
- Leverage and channel international impact funds toward the SE sector that reward financial and social impact.

Infrastructure and Human Capital

- To foster a positive image of the SE sector and encourage new generations and youth to join the sector, introduce specialized programs and services focusing on social entrepreneurship and promote its competitive salaries.
- Expand connectivity infrastructure, including mobile money and IT, to provide alternatives to traditional consumer finance and help SEs succeed in rural and semi-urban areas.

Information and Networks

- Increase the availability of SE-relevant online and face-to-face training and mentorship in collaboration with networks, consulting firms, incubators, and educational institutions.
- Improve and standardize data and statistical systems to build solutions and show evidence of the economic value of SEs to governments, investors, and donors.
- Form local and regional research communities and networks dedicated to SEs and related topics that enable knowledge exchange, collective action, and advocacy.
- Move from individual interventions targeted toward individual enterprises to a systems-level approach that takes the whole market into account.

Annex



COUNTRY PROFILE

Kenya Social Enterprise Ecosystem

Kenya has approximately 46 million inhabitants (2015 World Bank data). Approximately 11.7 percent of people were living on less than USD 1.90 per day. The share of the population who are poor is not as high as in other Sub-Saharan African countries studied, but millions still lack adequate education, energy provision, water and sanitation, and health services.

STATUS OF SERVICE SUPPLY

Public providers: Basic service supply varies across sectors. Kenya has improved BoP primary school attendance through free access but faces low-quality issues. The devolution of power, resources, and representation down to the local level promulgated by the Constitution of Kenya 2010 challenges the public health system and many hospitals suffer from a shortage of medical supplies and understaffing. In off-grid areas, public energy supply is almost non-existent, but heavy public investments are being made. Public water supply and sanitation have low levels of access and poor service quality.

Non-state providers: Private providers range from a multitude of informal market players with small-scale operations and in some cases larger-scale informal operations. These span all sectors, including informal schools, makeshift health clinics or traditional medicine providers, and informal water vendors. These are not seen as SEs and are rarely scalable. Many private companies provide affordable services and faith-based organizations, NGOs, and community organizations add to the landscape.

Donors: Kenya has been a magnet for many donors, who work within each service sector and generally support private sector development and especially SME development. In recent years, support has fluctuated due to corruption scandals and shifting relations with parties in office. Total ODA commitments in Kenya reached their maximum in 2010 and have declined since then.

SEs: Kenya is by far the country in East Africa with the largest presence of SEs playing a strong role in the provision of service delivery. Kenya's strong entrepreneurial culture and status as a regional hub for organizations and business are among the drivers. The majority of SEs are small and face challenges scaling and developing sustainable models. Indeed, Kenya has piloted and scaled new models in other African countries and globally, especially in the education and energy space.

SE activity level by sector in Kenya



The bars summarize activity levels at the growing (50 percent) and emerging (75 percent) stages. The assessment of activity levels (indicating volume, maturity, scale, sector role) is based on interviews, the SE database, and secondary sources in the researched sectors.

SE ECOSYSTEM DIMENSION: POLICY AND REGULATION

Policy strategy: The enabling environment for the private sector is better than in neighbouring countries, however, the SE-specific support environment is not effective and too complex. There is no clear regulatory framework or legislation for SEs. Due to the devolution process, several sectors are undergoing structural changes that influence public service provision and can increase demand for services.

Regulation: SEs do not have a specific legal form, so most SEs register as companies or NGOs. SEs that register as NGOs benefit from tax exemptions. Kenya enacted the Public Benefit Organizations Act 2013 to create a new coherent framework for non-profit organizations, including hybrid organizations, which would affect SEs. The act has not been implemented as of yet.

Public-private collaboration: PPPs have been developed for many years in Kenya, most within telecom, energy, and infrastructure. For SEs in the BoP service sector, large PPPs are rarely present, but the framework derived from these could expand to more service-related PPPs.

SE ECOSYSTEM DIMENSION: FINANCING

Grant funding: While grant bodies do exist, they often look for ventures with return on investment rather than those with an explicit social mission. Most of the funding is urban-based and often unknown to local SEs. Capacity is needed to develop applications, reporting, and impact measurement.

Commercial funding: Kenyan banks remain risk adverse toward early stage entrepreneurs. Demand for high collateral and high interest rates remain challenges for SEs. SACCOs are cooperative savings groups and are important for agricultural SEs and in some cases for end-user financing. The impact investment market is the most developed in the region.

Consumer finance: Many consumer-financing models are being developed and tested in Kenya, which are valuable examples for other SEs. Kenya is an early adopter for mobile-based financing schemes. There is a rapidly developing pay-as-you-go market for BoP energy products. Many local SEs support informal solutions for poor clients, such as in-kind transactions, instalments, or cross-subsidization.

SE ECOSYSTEM DIMENSION: INFRASTRUCTURE AND HUMAN CAPITAL

Infrastructure: The main infrastructure challenge SEs quote are low access to electricity, especially in rural areas. A core driver for SEs is the mature market for mobile banking, which has driven financial inclusion for the BoP. Many tech-based SEs are leveraging opportunities in this regional hub, but struggle with adaptation by clients and government officials.

Skilled staff: Many international staff in Kenyan SEs have degrees from prestigious universities. While some stick around and develop innovative ventures, many do not have the patience or they desire higher wages offered by the private sector or international NGOs. Many Kenyans are career-minded and interested in social hierarchy, so they prefer to join more secure and well-known companies.

SE ECOSYSTEM DIMENSION: INFORMATION AND NETWORKS

Capacity building: Donors, foundations, universities, private companies, and 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, and accelerators and incubators linked with financing.

Research and data: The SE sector has seen a rise in interest from researchers in Kenya and abroad, especially within health and agriculture. The work of SE enterprises such as mKopa and Bridge International has been featured, and investment in sector aggregate research is growing.

Coordination and advocacy: Several networks are organizing SEs, but some have also previously failed. Most networks and organizations SEs quote as important for their work are non-SE specific.

OUTLOOK

There is little policy recognition on the specific nature and role of SEs, but general openness in Kenya to engage with non-public actors. Many regulatory issues are sector-specific. SEs say bank financing is a major bottleneck, but some impact investors are ready to put capital adapted to the needs and pre-scale up timing of SEs. The SE landscape could be accelerated through more targeted education and networking around SEs, gaining more policy support, and learning from the successes and failures of SEs in Kenya.



COUNTRY PROFILE

Malawi Social Enterprise Ecosystem

Malawi has approximately 17.11 million inhabitants (2013 World Bank data). As of 2010, approximately 71 percent of people were living on less than USD 1.90 per day and population growth is rapid. Service delivery to the BoP is not adequate in the energy, health, sanitation, and water sectors, with the greatest demand in energy and sanitation.

STATUS OF SERVICE SUPPLY

Public providers: Public supply is weak across all sectors. Education and healthcare are provided predominantly by the public sector for free, but quality is low. Grid-based electricity is provided only in urban areas, and even there reaches only 37 percent of the population. Water and sanitation are provided, although functionality is limited or nonexistent, especially in rural and peri-urban areas.

Non-state: For-profit SEs are involved mostly in the provision of energy and sanitation services, while NGOs focus on water and healthcare. Many international NGOs try to fill the gap left by poor public service, providing services for free or at highly subsidized prices. For-profit businesses do not play a major role in delivering services to the BoP.

Donors: Malawi is highly dependent on international donor support. Key donors are the Department for International Development (DFID), the European Union (EU), the U.S. Agency for International Development (USAID), the Germany Agency for International Cooperation (GIZ), and the World Bank Group. Most SE-specific donor support goes to the energy sector.

SEs: General awareness of the SE concept is low. Most SEs in Malawi have been in operation 5–10 years but are still in the pilot or rollout stage. The size, reach, legal form, and ownership of SEs varies across sectors. The SE activity is nascent, with recent activity promising. Most SEs in the healthcare, energy, and water sectors are led by international experts. In contrast, SEs in the sanitation sector are led primarily by Malawian entrepreneurs.

SE activity level by sector in Malawi



The bars summarize activity levels at the early (25 percent), growing (50 percent), and emerging (75 percent) stages. The assessment of activity levels (indicating volume, maturity, scale, sector role) is based on interviews, the SE database, and secondary sources in the researched sectors.

SE ECOSYSTEM DIMENSION: POLICY AND REGULATION

Policy strategy: The government has expressed interest in working more closely with the private sector; both the Second Malawi Growth and Development Strategy (MGDS II) and the Malawi Government Public Private Partnership Policy Framework (2011) support private sector involvement in service delivery. In practice, however, the use of PPPs and public-private collaboration is minimal.

Regulation: There are uncertainties in the regulatory business framework for SEs and limited resources of local governments. Regulatory incentives in Malawi benefit large- and medium-size companies. The business environment is challenging but slightly better than the Sub-Saharan Africa average. Bureaucratic processes, especially registration and licensing, consume time, and corruption remains a major problem.

Public-private collaboration: Despite government support and political will to advance PPPs, little is happening. The few PPPs that do exist rarely apply to SEs outside the communications sector and

traditional agricultural products. Another reason for limited demand and public-private dialogue is that many SEs do not fully understand the PPPs concept.

SE ECOSYSTEM DIMENSION: FINANCING

Grant funding: International donors provide the majority of financial support, with most going to the healthcare and education sectors. Most public funds are available only to large, international NGOs. Funding for local businesses and smaller local NGOs is limited. Few non-public grant-making institutions for SEs exist.

Commercial funding: High interest rates, collateral requirements, lack of competition among financial institutions, and lack of information on potential borrowers make financial services largely inaccessible to entrepreneurs. Obtaining credit from commercial banks, microfinance institutions, or other local financing institutions is difficult. There is also little to non-existent impact investment activity.

Consumer finance: Lack of adequate consumer finance dampens demand for market-based service delivery to the BoP, especially for SEs that sell products with high unit prices (such as improved pit latrines or lighting devices).

SE ECOSYSTEM F DIMENSION: INFRASTRUCTURE AND HUMAN CAPITAL

Infrastructure: Infrastructure challenges include high costs of transportation and communications technology and limited availability of office space. Low mobile phone penetration in Malawi poses challenges for SEs working with mobile payment solutions.

Skilled staff: Entrepreneurial culture and SE-relevant business and technical skills are largely underdeveloped. SEs find it difficult to hire finance managers, engineers, and other professionals, because the supply of such people is limited and those with the right skills usually prefer to work for NGOs, development partners, and larger companies, which pay higher salaries than SEs can afford.

SE ECOSYSTEM DIMENSION: INFORMATION AND NETWORKS

Capacity building: The level of capacity building for SEs is very low. Nonfinancial support for SEs is limited and largely takes the form of donor-funded capacity building. Only a few permanent institutions provide support, and there is no incubator that supports SEs in developing business skills.

Research and data: No formal knowledge-sharing platform exists for SEs, and government data are often inaccurate, outdated, and fragmented. Good-quality data on the BoP market are limited and fragmented. Most SEs rely on informal networks and contacts to obtain data and conduct research.

Coordination and advocacy: No official network of SEs exists, and SEs have limited influence over existing coordination bodies, so the general level of knowledge exchange among SEs is very low. More general business networks and associations exist, but SEs play a minor role in them.

OUTLOOK

Market potential for SEs is high for low-cost off-grid energy and sanitation solutions; an emergent SE scene is active, although many enterprises do not identify themselves as SEs. The main ecosystem challenges are uncertainties in the regulatory framework and the lack of adequate financial and nonfinancial support. Supportive ecosystem changes could include raising awareness of the SE approach among entrepreneurs and policy makers; helping the government create a form of legal registration for SEs with incentives; and enhancing access to financing by hosting competitions.



COUNTRY PROFILE

Rwanda Social Enterprise Ecosystem

Rwanda has approximately 10.2 million inhabitants (2011 World Bank data). The development situation of BoP has improved, with the percentage of people living on less than USD 1.90 a day dropping from 37.93 percent in early 2000 to 23.7 percent in 2010. There is a smaller total BoP market size compared to other countries in East Africa, but issues of access and quality of services remain.

STATUS OF SERVICE SUPPLY

Public providers: Large service gaps for the BoP still exist, especially in rural areas. Compared to other countries studied the private sector is more integrated in public supply, especially in the water sector. Health services are financed by state funds, and patient contributions covered by insurance or personal funds. Energy supply faces challenges related to low service levels and supply disruptions, while education faces challenges related to the quality of teaching, materials, and infrastructure.

Non-state providers: Private providers are involved in many major public health initiatives, including for HIV, tuberculosis, family planning, and human resources for health. Health financing is another area with close collaboration. Private companies, NGOs, and SEs are especially active in the off-grid energy sector. The private sector plays a significant role in secondary education, higher education, technical vocational education and training, and in pre-school provision, but a smaller role in primary education.

Donors: In 2013, Rwanda received USD 1.4 billion in ODA commitments. By far the largest donor was World Bank/IDA, which committed USD 308 million. Donor support plays significant roles in financing the health care and energy sectors.

SEs: Rwanda has a young workforce among which entrepreneurship is valued and job creation is regarded as a social achievement. There are a few local SEs, and in general the terminology is not widely used. SEs take the form of companies, NGOs, or cooperatives. The SE landscape is dominated by the expat community, many of which focus on non-public service sectors. SEs are most visible in the energy sector, especially in rural service provision. The ICT sector in Rwanda is also a high priority.

SE activity level by sector in Rwanda



The bars summarize activity levels at the early (25 percent), growing (50 percent), and emerging (75 percent) stages. The assessment of activity levels (indicating volume, maturity, scale, sector role) is based on interviews, the SE database, and secondary sources in the researched sectors.

SE ECOSYSTEM DIMENSION: POLICY AND REGULATION

Policy strategy: The government strives to become a private sector-led economy by 2020. In the energy sector policies are increasingly conducive for private sector involvement, but some are worried about the current focus on large-scale solutions that do not suit energy challenges at the BoP.

Regulation: SE-specific regulations do not exist, but other private sector regulations also apply for SEs. For many private SEs operating in Rwanda or looking at Rwanda, the regulatory framework for starting up and doing business compensates for the relatively small market size. The 2015 Law on Investment Promotion and Facilitation encourages private sector engagement. In general, compared to companies, international NGOs face more barriers.

Public-private collaboration: There is no specific law on PPPs in Rwanda, but several laws and policies relate to them. The Rwanda Development Board is the leading body in terms of PPP promotion. A number of PPPs have been completed in the energy and telecommunications sectors. Rwanda also has a number of dialogue mechanisms at national and sector levels for public-private collaboration.

SE ECOSYSTEM DIMENSION: FINANCING

Grant funding: Many regional and international grants are available for SEs. Grant funding is primarily captured by international SEs in Rwanda. Fewer local SEs manage to apply for these.

Commercial funding: Access to commercial funding remains difficult, with high interest rates and lack of collateral the key issues. The impact investing market in Rwanda is considerably smaller than in other East African countries. However, SME-focused funds (such as the Rwanda SME Fund) and guarantee funds set up by the Government of Rwanda and Development Bank of Rwanda invest actively (these provide the guarantee to obtain a loan from a commercial financial institution).

Consumer finance: Access to finance for BoP remains a challenge, even though the financial sector is developing rapidly. The informal sector, consisting of village savings and loans associations as well as friends and family, remains important. In the energy sector, there are limited consumer financing options—the majority of BoP clients have to rely on saving and credit cooperatives and community saving groups. Access to microfinance institutions is also a challenge.

SE ECOSYSTEM DIMENSION: INFRASTRUCTURE AND HUMAN CAPITAL

Infrastructure: SEs face issues in distribution and transportation costs and with unstable energy and water supply. Besides being land-locked, the largest share of the population lives in rural and difficult-to-reach areas, where the road network is undeveloped. Mobile infrastructure is strong in Rwanda.

Skilled staff: Many Rwandans perceive SEs as not-for-profit organizations, and prefer to work in for-profit enterprises. There is still a gap between skilled and available persons to fill management positions. Many of these positions are occupied by Kenyan or Ugandan professionals instead. The shift from French to English has created an extra language barrier.

SE ECOSYSTEM DIMENSION: INFORMATION AND NETWORKS

Capacity building: Relative to its size, Rwanda has quite a number of capacity building programs and incubation centers. Most capacity building institutions are often not designed to respond directly to SE needs. Basic management and technical skills are provided through the capacity building platforms.

Research and Data: Information about the BoP and SEs is limited but improving. The most reliable data is the community-led categorization, which is conducted by the Ministry of Local Government through grassroots organizations. Since 2005, the National Institute of Statistics of Rwanda has been performing various surveys that provide information about the BoP.

Coordination and advocacy: SEs can use several coordination networks, both on a country and sector level. SEs participate in civil society networks, but there are few specific SE-networks. A new impact hub might become a focal point for SE knowledge sharing.

OUTLOOK

Compared to other countries researched, Rwanda has some of the most pro-active policies on private sector involvement in service delivery, for example in the energy sector. The public service sectors host fewer SEs. The SE landscape could be accelerated through leveraging and integrating local companies delivering services to the BoP in public service provision, developing technical, managerial, and financial skill levels, and researching successful Rwandan SE models, especially in public-private engagement.



COUNTRY PROFILE

South Africa Social Enterprise Ecosystem

South Africa has approximately 54 million inhabitants (2014 World Bank data). Approximately 16.5 percent of the population is living on less than USD 1.90 a day. BoP market demand for better service delivery is high for energy, medium for health and education, and low for water and sanitation.

STATUS OF SERVICE SUPPLY

Public providers: The public sector has made impressive efforts to improve access to electricity, water and sanitation, and housing for low-income communities. Yet, South Africa still suffers from poor education outcomes, high unemployment, and slow economic growth. Relations between government and business are characterized by certain level of mutual distrust and criticism.

Non-state providers: South Africa has a strong ecosystem of private organizations that support service provision to the BoP. NGOs and CSOs are very active. The corporate sector also makes a significant contribution to service delivery, both by sponsoring CSR programs and by developing inclusive business models.

Donors: With total aid flows reaching USD 1.4 billion in 2014, international donors, including foreign governments and NGOs, contribute significantly to service delivery for the BoP in South Africa, especially in social services and healthcare.

SEs: *Social enterprise* is a label with appeal but no clear definition or rigorous use. The SE landscape is mainly homegrown and locally focused, driven by motivation to address South Africa's societal and developmental challenges. SEs are emerging in the health, education, and energy sectors, but their presence is still limited. There are no SEs in the water and sanitation sector.

SE activity level by sector in South Africa

| Education | Energy | Health | Water and Sanitation |
|-----------|--------|--------|-------------------------------|
| | | | No SE activity in this sector |

The bars summarize activity levels at the early (25 percent) stage. The assessment of activity level (indicating volume, maturity, scale, sector role) is based on interviews, the SE database, and secondary sources in the researched sectors.

SE ECOSYSTEM DIMENSION: POLICY AND REGULATION

Policy strategy: The government's interest in promote service delivery to the BoP as well as the nature of the socioeconomic challenges South Africa faces are likely to result in the continuation of benign or even favorable policies and regulatory environment for SEs. Tense relations between government and the corporate sector over the past decade may strengthen the case for SEs.

Regulation: SEs in South Africa face no major regulatory barriers. In some circumstances, they can qualify for tax incentives. The term *social enterprise* is not defined in law; SEs can register as for-profits, nonprofits, or a combination of both. The closest South Africa has to a legal form of SE is a nonprofit company (NPC).

Public-private collaboration: South Africa has a long tradition of PPPs. The main forum for public-private dialogue is the National Economic Development and Labour Council, which appears to have lost influence in recent years. PPPs may provide opportunities for social entrepreneurs, however, there is no evidence that any SE has yet benefited from or been an actor in any of the known PPPs.

SE ECOSYSTEM DIMENSION: FINANCING

Grant funding: Much grant funding in South Africa comes from businesses, the largest of which spent an estimated USD 700 million on CSR in 2014 (Trialogue 2014). Although SE-related data are not available, some of that money is likely to have been channeled to them. South African corporations also invest in developing inclusive business strategies.

Commercial funding: South Africa's main commercial banks offer commercial credit to businesses, including SEs. However, credit conditions for small and microenterprises have tightened because of growing concerns about rising debt and default rates. The public sector offers some funding to nonpublic service delivery, mostly in the form of soft loans (a loan made on favorable terms to the borrower). South Africa has a small but active and growing network of impact investors who work with both small and microenterprises and SEs.

Consumer finance: Microfinance institutions play a significant role in channeling consumer finance to South Africa's lower income segments, but there is increasing concern about consumer debt. Partly because of rigid regulations and strong market penetration of commercial banks, mobile money has been slower to take off in South Africa than in other emerging markets, such as Kenya and Tanzania.

SE ECOSYSTEM DIMENSION: INFRASTRUCTURE AND HUMAN CAPITAL

Infrastructure: South Africa's infrastructure is the most advanced in Africa, but access to services for the BoP remains a challenge. Transportation infrastructure is mostly world-class. IT networks are generally good, although with high costs for mobile phone and Internet services. South Africa is the fastest-growing market for renewable energy (including solar energy) in the world.

Skilled staff: The market for skilled professionals is highly competitive, especially at senior levels. Employees and entrepreneurs are generally keen to be seen as having a positive social impact on society. Several major academic and nonprofit institutions offer social entrepreneurship and social innovation programs as part of their curricula.

SE ECOSYSTEM DIMENSION: INFORMATION AND NETWORKS

Capacity building: A number of organizations provide educational programs, funding, and business support for SEs. SE incubators include Hubspace, based in Cape Town, the Innovation Hub, in Johannesburg, and LaunchLab, attached to the University of Stellenbosch in the Western Cape.

Research and data: Data on the BoP and SEs are available, and several types of specialized organizations (private, public, and civil society) conduct research on the market.

Coordination and advocacy: A small number of SE networks and SE communities exists, though their efforts are not coordinated. They include the Gordon Institute of Business Science's Network for Social Entrepreneurs, African Social Enterprise Network, and Bertha Centre for Social Innovation at the Graduate School of Business at the University of Cape Town, the first academic institution in Africa dedicated to social entrepreneurship.

OUTLOOK

South Africa is eager to address BoP needs in a more efficient and effective manner. An active local support ecosystem for SEs already exists, although efforts are scattered and there is a generic and lack clear political support. The ecosystem for SEs could be improved by: encouraging policy makers to create a legal definition and framework for SEs, possibly with incentives; supporting existing initiatives, programs, and capacity building; and channelling funding and investment to existing and potential SEs in priority sectors, either directly or indirectly through the existing network of funders in South Africa.



COUNTRY PROFILE

Tanzania Social Enterprise Ecosystem

Tanzania has approximately 43.88 million inhabitants (2011 World Bank data). As of 2011, approximately 14.35 percent of people were living on less than USD 1.90 per day. High population growth is increasing pressure on service delivery. As a result, Tanzania scores in the lowest quartile on the Human Development Index. Energy, water and sanitation sectors are especially challenging.

STATUS OF SERVICE SUPPLY

Public providers: Despite reforms, public service delivery for the BoP is low both in terms of coverage and quality. Despite education being free, parents are expected to contribute fees for books and inventory, which is a considerable cost. In electricity, water, and sanitation the public sector delivers limited urban services that rarely reach the BoP. Health services are often private in Tanzania.

Non-state providers: Government regulation leaves little room for private sector players in electricity, water, and sanitation. In the health sector, there is a larger field of private players and even examples of the government paying private operators for service delivery. In education, private schools are in heavy demand due to the low quality of public sector schools.

Donors: Tanzania is and has been one of the highest aid recipient countries in Africa. Many donors have moved support from individual projects toward budget support, which has pressured many NGOs, some of whom have moved into SE models. Sources interviewed noted that many donors were frustrated with the pace of progress in public reform and were increasingly open toward new models.

SEs: Compared to the other East Africa countries studied, very few companies in Tanzania self-identify as SEs or use SE models. Most SEs in Tanzania are NGOs, community organizations, or donor projects that have shifted toward revenue models. Despite low levels of SEs they do exist in all sectors studied and interview respondents noted that SE thinking is on the rise.

SE activity level by sector in Tanzania



The bars summarize activity levels at the early (25 percent), growing (50 percent), and emerging (75 percent) stages. The assessment of activity levels (indicating volume, maturity, scale, sector role) is based on interviews, the SE database, and secondary sources in the researched sectors.

SE ECOSYSTEM DIMENSION: POLICY AND REGULATION

Policy strategy: Several SEs and experts quoted unpredictable government policies and lack of experience working with the private sector as key challenges for SE investments. While there has been an increasing focus on the private sector, implementation is slow and hampered by among other things unsatisfactory policy management, bureaucracy, and failure to decentralize.

Regulation: Since SEs are not recognized politically, they have to fit into the existing framework. SEs register in a number of forms, including societies, companies limited by guarantee, or as NGOs. Several SEs note that business registration, licenses, and tax in Tanzania is cumbersome and includes many fees to government agencies.

Public-private collaboration: The culture in the public sector has not allowed PPPs to be implemented at a larger scale. PPPs are more common in the health sector for the BoP.

SE ECOSYSTEM DIMENSION: FINANCING

Grant funding: Many SEs still rely on donor funding for programs or sell their services to donors. For companies, grants are often harder to access due to unwillingness to support private enterprises. Some experts note that the commercial market for impact investors is challenged by grants and donor funding, since SEs compare deals with free money.

Commercial funding: Tanzanian banks are extremely risk averse and often unwilling to invest in start-up or early-stage enterprises. Interest rates are high and the demands for collateral are strict. The situation is even worse for SEs, since they are largely viewed as NGOs with little or no focus on financial returns. Micro-finance occasionally provide loans, but at high interest rates. Tanzania is considered to be the third country after Kenya and Uganda in terms of impact investing activity.

Consumer finance: Consumer finance is a major bottleneck for SEs in Tanzania. Some SEs have included micro-financing, loans, or saving groups in their programs. As in other countries energy services are pushing innovation with SEs.

SE ECOSYSTEM DIMENSION: INFRASTRUCTURE AND HUMAN CAPITAL

Infrastructure: Serving the BoP in Tanzania means coping with a vast geography, dispersed rural population, and poor transportation infrastructure. This means high costs and challenging logistics when scaling for SEs. Often it is necessary to decentralize distribution, inventory, and different service functions due to large distances. The continued expansion of the mobile infrastructure makes it possible to develop new business models.

Skilled staff: Access to skilled staff is a challenge because of the poor education system and low productivity among the workforce. There is also a lack of specialized education to provide technical knowledge about operations. With low recognition in the public the SE sector is still not well known as an independent career choice. A number of new training programs are building the skills of SE staff.

SE ECOSYSTEM DIMENSION: INFORMATION AND NETWORKS

Capacity building: SEs in Tanzania are offered a range of training and incubations options, specifically on SE possibilities and general business operation. Tanzania is also home to a number of SE incubators. Some SEs also run incubator programs. Several new technology hubs have also opened recently, which indicates an increased focus on locally developed tech-based enabling technologies.

Research and Data: SEs are rarely subject to scientific scrutiny in the academic community in Tanzania. According to experts interviewed the lack of research and cases delays the development of the sector. In terms of BoP market data SEs largely have to generate their own research.

Coordination and advocacy: The Social Entrepreneurship Network Forum is organized on a monthly basis. The existence of this focused network is unique for East Africa, where even Kenya is lacking an operational SE network. In addition to this network, there are a number of sector specific networks that advocate for members in sectors with a social impact.

OUTLOOK

SEs have the right mindset to work in challenging Tanzanian markets. Supporting SEs to develop and scale is needed to leverage their potential. Relatively good support infrastructure is an important first step. Potential areas for intervention in the SE ecosystem include: leveraging existing initiatives that have a strong donor presence and many civil society projects being completed; supporting implementation of SE models; developing more partnerships to drive change; and getting larger players more strategically involved and regional links into service delivery chains and other markets.



COUNTRY PROFILE

Uganda Social Enterprise Ecosystem

Uganda has approximately 37.6 million inhabitants (2013 World Bank data). Approximately 10.3 percent of the population is living on less than USD 1.90 a day. Uganda has large faith-based social enterprises and innovative new social enterprises developing business models and services for the BoP.

STATUS OF SERVICE SUPPLY

Public providers: The public sector has significant gaps in service provision for the BoP. Few public energy services reach the rural BoP. The quality and equity of services in the public health sector remains low. BoP access to primary education has expanded, but quality is low in many areas. There is also limited sewerage service, and public services are pressured by increased urbanization. Piped water coverage in urban areas is low and most BoP purchase water from vendors and public outlets.

Non-state providers: The private sector and NGOs both play important roles for BoP service provision. Some sectors, such as energy and rural water supply, integrate private providers in public services, while faith-based providers are involved in health services. International and local NGOs provide services subsidized or for free, such as cookstoves or solar products.

Donors: Donor support plays an important role funding the public sector, however the level of funding has fallen in response to corruption scandals and lack of alignment between donors and government. Uganda was one of the first countries where international funding was channeled as budget support.

SEs: The SE term is new in Uganda; it is mostly recently established enterprises that define themselves as SEs. Many of these have international ownership or leadership or close international collaboration. Ugandan SEs are diverse, ranging from local entrepreneurs promoting disruptive technology to large faith-based organizations entrenched in existing health infrastructure.

SE activity level by sector in Uganda



The bars summarize activity levels at the early (25 percent), growing (50 percent), and emerging (75 percent) stages. The assessment of activity levels (indicating volume, maturity, scale, sector role) is based on interviews, the SE database, and secondary sources in the researched sectors.

SE ECOSYSTEM DIMENSION: POLICY AND REGULATION

Policy strategy: During the past years, the government has become more open toward working with the private sector. SEs operating as NGOs express fear of increased scrutiny due to claims they are engaged in political activism. SEs are not recognized in policy, with the exception of faith-based SEs and social marketing organizations that are mentioned in some policies.

Regulation: There is no legal recognition of SEs. There are no specific SE incentives, but there are incentives SE can use, such as VAT exemption on solar water heaters and cookers, certain health services, water-related purchases, etc.

Public-private collaboration: The National Development Plan stated a goal to promote and encourage PPPs. The government adopted a PPP policy in 2010 targeting private sector resources for construction, operation, and maintenance of infrastructure and development projects. Despite more recent policy debates, PPPs have been implemented in various sectors, especially infrastructure.

SE ECOSYSTEM DIMENSION: FINANCING

Grant funding: Ugandan SEs can access a number of sector-specific grants offered by foundations, donors, and organizations or from corporate CSR initiatives. They are rarely SE-specific, but easier for SEs to access due to social impact requirements. From a grant givers perspective lack of good projects is a problem, while SEs are not always aware of possibilities or lack resources to develop proposals.

Commercial funding: For SEs, accessing commercial lending is challenging with high lending rates. Alternatives for cheaper credit lines are institutions such as the Uganda Development Bank and the Micro Finance Support Centre, but these have a hard time meeting demand. Most of the SEs interviewed are not financed by impact investors or venture capitalists. Micro-financing for SEs is quite prevalent within agriculture, but less in other sectors.

Consumer finance: Affordability is a key challenge for SEs and options for consumer finance varies considerably across the different service areas. Within the energy sector a variety of consumer finance models have been tested and provide important tools for SEs. In other sectors consumer finance is less developed and could benefit from the experiences from energy and from other countries.

SE ECOSYSTEM DIMENSION: INFRASTRUCTURE AND HUMAN CAPITAL

Infrastructure: Access to stable electricity is a common challenge for SEs in Uganda, especially in rural areas. Several large-scale public investment projects have been initiated focusing on electricity and transportation infrastructure. Growing mobile money services offers significant potential for SEs.

Skilled staff: SEs are generally run by well-qualified professionals who come from the private sector or organizations. Several SEs expressed challenges recruiting lower-level staff. Competition with high wages in donor organizations or NGOs is a recruitment challenge. Several universities have begun to offer degrees and modules in social entrepreneurship, indicating a growing SE focus.

SE ECOSYSTEM DIMENSION: INFORMATION AND NETWORKS

Capacity building: Ugandan SEs can choose from a range of training programs, incubators, and challenge competitions ranging from general business skills to specialized SE support. Most incubators have a broader private sector focus, but also include SEs. Innovation challenges and competitions often have goals about social impact, but seldom social mission.

Research and data: There are emerging academic communities focusing on SEs, but these are still nascent and mostly focused on teaching programs. The level of BoP market data available is quite different across the sectors. There are relatively good statistics on water, while sanitation is less documented due to lack of public provision. Public health is challenged by lack of reporting from private and NGO facilities. Often SEs rely on their own market research.

Coordination and advocacy: There are few SE-specific coordination entities or advocacy organizations. Within health the main faith-based SEs work together, which means they are able to improve their operations and advocate for their needs. Within other sectors there are more general, but important organizations that include SEs, but rarely advocate for SE specific needs.

OUTLOOK

Most self-defined SEs in Uganda have international links, but Uganda stands out for its locally bred SEs. Private engagement in service delivery has been increasing, but is also questioned politically. Potential ecosystem interventions could include studying how SEs could be encouraged to bid for private and public contracts; increasing education to strengthen the local cohort of SEs; and building capacity among SMEs or other support schemes to assess and support SE-type ventures.



COUNTRY PROFILE

Zambia Social Enterprise Ecosystem

Zambia has approximately 16 million inhabitants (2015 World Bank data). Approximately 64 percent of the population lives on less than USD 1.90 a day. Service delivery gaps are evident in all sectors. Market demand by the BoP is highest in the energy and healthcare sectors.

STATUS OF SERVICE SUPPLY

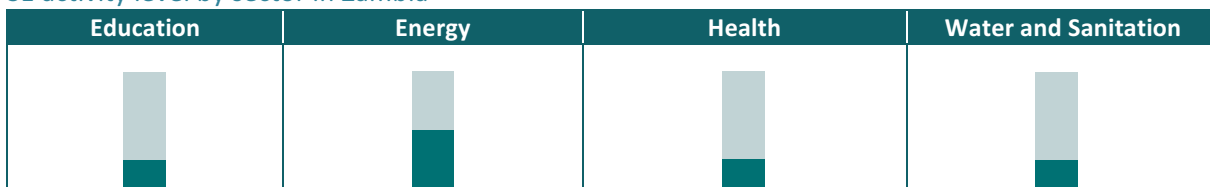
Public providers: The public supply of services in Zambia is of poor quality, with the government unable to serve the needs of BoP across sectors. Delivery suffers from a chronic lack of human, technical, infrastructural, financial, and information capacity and resources.

Non-state providers: An active local and international NGO sector in Zambia tries to fill gaps in service delivery. Officially, more than 400 NGOs are registered in the country, and the figure is almost certainly an underestimate, given that many NGOs reportedly refuse to register under the current legal framework.

Donors: Zambia is highly dependent on donor support, particularly in the healthcare sector. Donors include the Global Fund to Fight AIDS, Tuberculosis and Malaria; the World Bank Group; the U.S. Agency for International Development (USAID); the Department for International Development (DFID); and the Japan International Cooperation Agency (JICA).

SEs: There is no common definition of the concept of SE. Most SEs are small and young. Their presence is limited. Nearly all SEs use hybrid revenue models, combining commercial revenue with donor funding. The most active sector for SEs in Zambia is energy.

SE activity level by sector in Zambia



The bars summarize activity levels at the early (25 percent) and growing (50 percent) stages. The assessment of activity levels (indicating volume, maturity, scale, sector role) is based on interviews, the SE database, and secondary sources in the researched sectors.

SE ECOSYSTEM DIMENSION: POLICY AND REGULATION

Policy strategy: The government does not have a clear position on private sector service delivery. The attitudes of the government and the public sector seem to be shifting toward a more nuanced understanding of the potential benefits of working with the for-profit sector for service delivery, but there is no official policy with regard to SEs. Currently, Zambia's policy environment is relatively unstable.

Regulation: SEs are not recognized as specific entities; they must comply with the same regulatory framework as other businesses or NGOs. SEs register as NGOs or for-profits. Some policies and regulations benefit SEs, especially MSMEs. Limited incentives do exist in the energy sector

Public-private collaboration: Official frameworks have been put in place to support and develop PPPs in Zambia. However, there is little evidence to suggest that the level of public-private collaboration has had any impact on SEs. A handful of multi-stakeholder platforms seek to facilitate dialogue among private entities, NGOs, and government.

SE ECOSYSTEM DIMENSION: FINANCING

Grant funding: The majority of grant funding in Zambia is provided by international donors, who play a key role in the health and energy sectors. Some large companies operating in Zambia provide grant funding to SEs through their CSR budgets. The Lundin Foundation has provided USD 14 million of impact funding to projects in 14 countries, including Zambia.

Commercial funding: Interest rates for commercial credit are too high for SEs: annual lending rates averaged 18.4 percent in 2014. Most SEs therefore rely on other sources of commercial funding, including impact investors, crowdfunding, angel investors, and other forms of credit. Some international investors, public and private, provide loans or equity funding.

Consumer finance: Access to credit for the BOP is low. Local sources of consumer finance—microfinance institutions, banks, and other institutions—are very limited and often too expensive. Microfinance institutions provide small loans, which can include consumer finance, but they reach only a tiny share of the population. Mobile banking and credit are nascent in Zambia.

SE ECOSYSTEM DIMENSION: INFRASTRUCTURE AND HUMAN CAPITAL

Infrastructure: Infrastructure challenges for SEs include poor transport networks, limited or no information technology infrastructure in rural areas, and inadequate energy supply. Poor infrastructure makes operating in Zambia difficult, but it also strengthens the business case for low-cost, efficient, and innovative solutions in energy, health, water and sanitation, and education.

Skilled staff: SEs find it difficult to recruit and retain skilled talent. Skill levels are low, and trained staff often seek higher salaries than SEs can afford to pay. Some organizations provide workshops and other educational programs with components that are relevant to SEs, however, training that is relevant to SMEs in general is not available.

SE ECOSYSTEM DIMENSION: INFORMATION AND NETWORKS

Capacity building: Incubators, innovation hubs, and other capacity-building services are slowly emerging in Zambia. Organizations such as PEP Zambia, the Zambia Development Agency, and Building Young Futures provide capacity building and skills development relevant to SEs.

Research and data: Multinational research projects have shown interest in Zambian SEs. The Practitioner's Hub for Inclusive Business in Lusaka conducts research on inclusive business and SEs in Zambia. Trickle Out Africa, an international organization, conducts research on SEs throughout Africa.

Coordination and advocacy: SEs tap into global networks for support. The Practitioner's Hub for Inclusive Business in Lusaka is arguably the most visible structure of advocacy for SEs, though its activities seem to be limited. Some international organizations play a coordinating and advocacy role, though not specifically focused on Zambia.

OUTLOOK

SEs play a limited role in service delivery to the BoP in Zambia. The energy sector is the most advanced, with some SEs on the way to financial self-sustainability, as well as some conducive regulation through a VAT waiver program. In other sectors, consumer willingness to pay and public acceptance of paid services is much more limited. Ecosystem interventions that could induce significant change for SEs include raising awareness of the SE approach; promoting specific models for SE service delivery in the health, education, and water and sanitation sectors; and enhancing access to (grant) finance for social entrepreneurs by hosting competitions in specific sectors or on specific development challenges.

Methodology

Objectives

The objectives of the report are to:

- Understand the current SE landscape and the potential of SEs to close service delivery gaps.
- Understand the state of SE ecosystems, existing barriers and promising support initiatives and policies.
- Provide recommendations for how to improve SE ecosystems and support the scale-up and replication of SEs.

Scope

Geographic

The report focuses on seven African countries: Kenya, Malawi, Rwanda, South Africa, Tanzania, Uganda, and Zambia (Figure 13). 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 learning.
- Different levels of World Bank engagement.

Service Sectors

The report covers four 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. The report focuses on the role of SEs to support *basic service delivery* in these four sectors, and hence meeting specified development objectives. Thus, the report looks at the service sectors with a *public sector lens*, rather than a commercial value chain or market perspective.

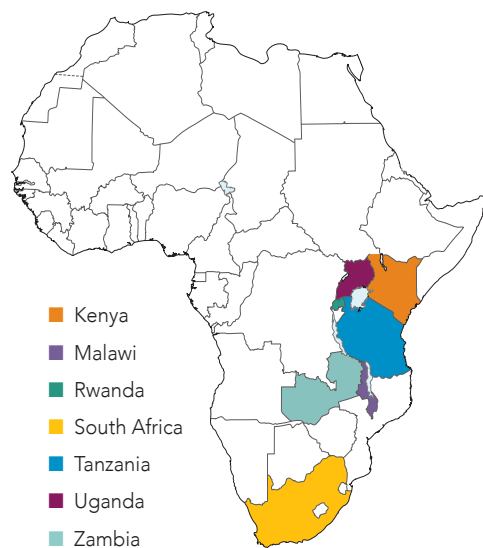
Beneficiaries

The target group is underserved populations, specifically low-income communities representing the BoP. A key objective of the report is to review to which extent SEs are able to cater to people living on less than USD 1.25 per day in 2015. In most countries studied, this group represents the lowest BoP segment. However, since some SEs do not yet reach the lowest tiers, the report includes a wider group of SEs that currently focus on higher tier BoP segments. Including these SEs ensures a stronger understanding of the current SE landscape and the potential and barriers to reach further into the pyramid.

Analysis

The analysis focuses on three levels: country, service sector, and service sub-sector. At country level, the report reviews the general landscape of and ecosystem for SEs in the country. The service sector level describes existing SE activities as well as ecosystem dimensions in the four focus sectors. The service sub-sector level zooms into a particular service delivery challenge (such as urban sanitation), usually in a specific region or context, and identifies the potential of SEs to close the service delivery

Figure 13. Focus countries in this report




















gap based on analysis of current activities and ecosystem dimensions. Specific service delivery challenges were defined to structure the research (Table 20).

Table 20. Structure of the research

| Service Sectors | Service Sub-Sectors |
|-----------------------------|--|
| Education | <ul style="list-style-type: none"> • Early childhood education • Basic education • Tertiary education • Life skills and vocational training |
| Energy | <ul style="list-style-type: none"> • Lightning (<20 W) • Energy for productive and domestic use (>20) • Clean cooking |
| Health | <ul style="list-style-type: none"> • Awareness of health issues and prevention • Primary health care services • Advanced health care services • Medicine |
| Water and sanitation | <ul style="list-style-type: none"> • Clean water • Improved sanitation |

Table 21 provides an overview of service sector profiles (grey circles) and service sub-sector profiles (red circles) for the seven countries. Service sectors were selected based on the level of SE activity and existing World Bank activities or learning priorities. Service sub-sector profiles were selected to represent a variety of sub-sectors, countries, and levels of maturity.

Table 21. Service sector and sub-sector selections

| | ENERGY | WATER & SANITATION | EDUCATION | HEALTH |
|---------------------|---|---|---|---|
| Kenya |  |  |  |  |
| Uganda |  |  |  |  |
| Tanzania | |  | |  |
| Rwanda |  | | | |
| Zambia |  | | |  |
| Malawi |  |  | |  |
| South Africa | | | |  |

Grey circles indicate service sector profiles and red circles indicate service sub-sector profiles for the seven countries.

SE understanding

For the purposes of this report, SEs are defined as privately owned organizations—either for-profit, non-profit or a hybrid—that use business methods to advance their social objectives. They maximize social, environmental and economic outcomes for target BoP beneficiaries rather than maximizing profits. Table 22 lists what this definition includes and excludes in various dimensions.

Table 22. SE definition for legal forms

| | Inside scope | Outside scope |
|------------------------|--|--|
| Legal form | <ul style="list-style-type: none"> SEs can have many legal forms (such as NGO, faith-based, company, cooperative, etc.). | <ul style="list-style-type: none"> Public organizations Informal organizations |
| Financial model | <ul style="list-style-type: none"> SEs have a revenue logic and work toward sustainable funding models. SEs often combine funding sources. For SEs targeting higher BoP segments, operating mainly on commercial revenue is often possible. Targeting the lowest segments often requires combining end-user financing with public and donor funding, grants, impact investors, cross financing, MFIs, etc. The BoP does not have to pay directly. SEs can be <i>commissioned</i> by the public sector to deliver services or work with governments on PPPs. | <ul style="list-style-type: none"> NGOs or other organizations that rely purely on grant funding, and would hence end as soon as the grant ends Does not <i>require</i> SEs to re-invest profits, but some SEs in the report do |
| Size | <ul style="list-style-type: none"> SEs can range from micro-entrepreneurs to SMEs, as well as special initiatives of multi-national companies. SEs with potential to scale are the main focus in the report (these are rarely the smallest). Specific SE activities of large NGOs are also considered. | <ul style="list-style-type: none"> Very small (micro) and very large (MNCs) SEs are not the main focus in this report |
| Mission | <ul style="list-style-type: none"> SEs have a clear social mission. This means they are balancing social value creation with profit goals, including potential trade-offs between the two. For SE companies, the profit perspective will often be longer term than for normal companies. | <ul style="list-style-type: none"> Companies that provide services from a traditional commercial perspective |
| Service Focus | <ul style="list-style-type: none"> The focus of SEs is specifically on service delivery. Technology and products are seen as enablers of service delivery. Service delivery can include models where the main client is an organization (including government), not the end consumer. For example, SEs support schools to improve the quality of education via assessments and management tools. | <ul style="list-style-type: none"> Organizations that focus on job creation or production of goods, such as financial organizations and productive industries Organizations that focus narrowly on products or technology with no direct interaction with the BOP, such as wholesalers of solar products |

Sequential approach

The report was conducted in three main phases, as detailed in Table 25.

Table 25. Three report phases

| Scope and methodology | Data collection | Analysis and documentation |
|---|--|---|
| In the first step, the scope of the report was defined, including the selection of sectors and services. This included the development of selection criteria and data collection to inform the selection. | <p>Research teams collected data in countries, under the guidance of a global team.</p> <p>Different sources of data were used for the different levels of analysis:</p> | In the final step, all outputs of the data collection and documented insights were analyzed. The research has led to a bottom-up refinement of the ecosystem model. |

| | | |
|--|---|--|
| <p>A coherent conceptual framework was developed to guide the research. This framework was translated into research templates. Researchers were instructed on the objectives of the report, approach and use of different templates.</p> | <ul style="list-style-type: none"> • Country and service sector profiles: Desk research, expert interviews, SE interviews. • Service sub-sector profiles: Desk research, BoP interviews and focus groups, SE and expert interviews. <p>135 experts and 60 SEs were interviewed.</p> | <p>This report highlights cross-country findings, while country, service sector and service sub-sector profiles document more detailed findings.</p> |
|--|---|--|

Maturity Rating Development

Based on the ecosystem analysis conducted within countries and sectors, a maturity matrix was developed (Table 24). The maturity matrix builds on the four ecosystem dimensions: Policy and Regulations, Financing Solutions, Infrastructure and Human Capital, and Information and Networks. Each dimension includes two to three elements that specify critical aspects. For example, in financing solutions, these are grants, commercial credit, and consumer financing. These elements are further split into indicator categories. Consumer finance is composed of MFIs, informal finance, and direct-to-consumer finance by government. These elements and indicator categories have been developed bottom-up based on insights of the country research.

The report synthesizes findings from the country and sector mappings for each of the elements and indicator categories. By comparing findings per element and indicator category across countries and sectors, different levels of maturity were identified and translated into indicators. The matrix distinguishes four maturity levels: nascent, emergent, growing, and mature. To ensure that maturity levels also correspond with an international benchmark, the United Kingdom ecosystem was used as a reference for a mature system (the United Kingdom benchmark level of maturity was adapted to a specific service delivery context where relevant). One qualitative indicator is assigned to reach level of maturity per indicator category. To calculate the rating per element, ratings are averaged based on a weighted aggregation scheme.

The matrix provides a compass to understand how conducive a country's ecosystem is for the setup and growth of SEs. It enables users to identify gaps and options for interventions to improve the ecosystem.

Table 24. Analytical structure of the ecosystem rating

| Dimension | Element | Weight | Indicator category |
|-----------------------------------|--------------------|--------|--|
| Policy and Regulation | Policy Strategy | 1 | Acknowledgement of role of SEs |
| | | 0,5 | General openness toward private sector engagement |
| | | 0,5 | General openness toward civil society engagement |
| | Regulation | 1 | Legal form |
| | | 1 | Incentives |
| | | 0,5 | Ease of doing business |
| | PPP | 1 | PPP Policy and implementation |
| | | 1 | Other modalities for SE collaboration |
| | | 1 | Public-private dialogue |
| Financing Solutions | Grant Financing | 1 | Public |
| | | 1 | Private |
| | Commercial Funding | 0,5 | Banks |
| | | 1 | Impact investors |
| | | 1 | MFIs |
| | Consumer Finance | 1 | MFIs |
| | | 1 | Informal |
| | | 1 | Direct-to-consumer finance by government |
| Infra-structure and Human Capital | Infra-structure | 1 | Connectivity |
| | | 1 | General infrastructure |
| | Skills | 0,5 | General skill level |
| | | 1 | Competitiveness and attractiveness of SEs as employers |
| | | 1 | Education programs (entrepreneurship, SE) |

| | | | |
|--------------------------|---------------------------|---|--|
| Information and Networks | Capacity Building | 1 | Training |
| | | 1 | Incubators |
| | | 1 | Other capacity building |
| | Research and Data | 1 | Data availability |
| | | 1 | Academic research actors |
| | | 1 | Non-academic SE documentation |
| | Coordination and Advocacy | 1 | Existence of coordinating actors (example is Ashoka) |
| | | 1 | SE networks |
| | | 1 | Media coverage of SE |

United Kingdom Mature Policy Framework

STRATEGIC

The Coalition Government Programme (2010–2015) reflected the commitment of the UK government to support the creation and expansion of SEs and to enable them to have a greater involvement in the provision and running of public services.

KEY POLICIES

- 2010 – 2015 Government Policy: Social Enterprise
- 2012 Social Value Act

KEY INSTITUTIONS

- Office for Civil Society – Cabinet Office
- All Party Parliamentary Group on Social Enterprise (APPG)
- Social Enterprise UK
- Center for Social Impact Bonds

KEY GOVERNMENT INITIATIVES IN THE ECOSYSTEM

Regulation

- Legal form: Community Interest Company created in 2005
- Social investment tax relief 2012

Financing

- Funding Central
- Big Societal Capital
- Big Lottery Fund
- Social Outcomes Fund
- Commissioning Better Outcomes Fund
- Investment and Contract Readiness Fund

Capacity Development and Human Capital

- Social Incubator Fund
- Social Value Procurement Training
- Commercial Skills Master Class for Public Service Delivery
- Small charities training program
- Public sector mutual training

Information and Networks

- Civil Society Red Tape Challenge 2012
- Dame Mary Marsh Review of Skills & Leadership in the voluntary, community and Social Enterprise Sector
- Social Investment Research Council
- Contracts Finders
- Social Value Awards

UNITED KINGDOM

SEs have been a part of the UK government policy agenda for almost two decades. Important milestones characterized the evolution of government support towards SEs. In 1997, during his first policy speech, former Prime Minister Tony Blair committed to support social entrepreneurs. In 2001, the Social Enterprise Unit was created in the Department for Trade and Industry. In 2005, new legislation introduced a new form of corporate entity suitable to SEs, the Community Interest Company (defined as special type of limited company that exists to benefit the community rather than private shareholders).

More recently, SEs were included in the Coalition Government Program 2010–2015, which reflects the government's commitment to foster SEs and create mechanisms through which they can get involved in the provision of public services.

Important **Regulations** were approved during this period. In 2012, the Social Value Act was passed to open up more opportunities for SEs to deliver public services, and in 2014 the government launched Social Investment Tax Relief, which gives 30 percent personal tax relief for investors in SEs, up to £5m.

In the area of **Information**, the government has pioneered initiatives such as the Red Tape Challenge to facilitate and speed up the creation of SEs and studies, such as the Dame Mary Marsh Review of Skills & Leadership in the Voluntary, Community and Social Enterprise Sector. This study identified the social sector's most vital needs around attracting and developing a skilled workforce and leadership.

Networks such as Social Enterprise UK and the Social Entrepreneurship Partnership (formed by the School for Social Entrepreneurs, UnLtd, CAN, Plunkett Foundation and Social Firms UK) are strategic partners for the government. They receive public financial support over four-year programs to continue representing the sector to government and vice-versa, among their other commitments.

The **Financial** policy tools available for SEs include impact bonds and grants like Big Society Capital, launched in 2011 with £600m of investment for social enterprises and the Big Lottery Fund that supports the aspirations of people who want to make life better for their communities, by giving grants from £300 to more than £500,000.

The Government has also provided financial support to social enterprises in order to help them develop the skills necessary to manage contracts with the State for delivering public services. For instance, the Investment and Contract Readiness Fund (a £10 million fund managed by the Social Investment Business on behalf of the Office for Civil Society) that aims to ensure social ventures are better equipped to secure new forms of investment and compete for public service contracts.

To generate **Capacity Development**, the government launched funds like the Investment and Contract Readiness Fund which helps social enterprises to be ready for engaging on public contracts, and the Social Incubator Fund that provides grants to social incubators and aims to help drive a robust pipeline of start-up social ventures into the social investment market, by increasing focus on incubation support, and attracting new incubators into the market.

Last but not least, the government offers support for **Human Capital** development through a series of training focused on increasing the commercial skills of social enterprises and their ability to engage on public service delivery through public procurement.

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