



Global Social Enterprise

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**Social enterprise  
and job creation in  
Sub-Saharan Africa**



# About us

**The British Council builds connections, understanding and trust between people in the UK and other countries through arts and culture, education and the English language.**

We work in two ways – directly with individuals to transform their lives, and with governments and partners to make a bigger difference for the longer term, creating benefit for millions of people all over the world.

We help young people to gain the skills, confidence and connections they are looking for to realise their potential and to participate in strong and inclusive communities. We support them to learn English, to get a high-quality education and to gain internationally

recognised qualifications. Our work in arts and culture stimulates creative expression and exchange and nurtures creative enterprise.

We connect the best of the UK with the world and the best of the world with the UK. These connections lead to an understanding of each other's strengths and of the challenges and values that we share. This builds trust between people in the UK and other nations which endures even when official relations may be strained.

We work on the ground in more than 100 countries. In 2019–20 we connected with 80 million people directly and with 791 million overall, including online and through our broadcasts and publications.

## Global Social Enterprise

Working across more than 30 countries worldwide, including many in Sub-Saharan Africa, the British Council's Global Social Enterprise portfolio draws on UK experience and expertise to promote inclusive economic systems and help address entrenched social and environmental problems in our communities and societies.

We work with local and international partners to provide capacity building for social entrepreneurs, promote education in social innovation and related topics at schools and universities, and help to build an enabling environment for social enterprise to thrive. We convene policy dialogues, organise study tours and publish reports to share knowledge and best practice for scaling impact economies.

Our previous publications include:

- *Activist to Entrepreneur*, a collection of reports exploring the connection between social enterprise and women's empowerment across the UK, USA, India, Pakistan, Brazil and Ghana
- *Social Innovation and Higher Education in East Asia*, a comparative study and five in-depth country reports on social innovation and social enterprise research and teaching in Indonesia, Malaysia, the Philippines, South Korea and Vietnam
- *Think Global Trade Social*, which examines the role of social business in achieving progress on the UN's Sustainable Development Goals
- more than 15 national 'state of social enterprise' reports providing crucial evidence about social enterprise in countries such as Pakistan, Ethiopia and Vietnam.

More information about our work in supporting social enterprise and building impact economies can be found at <https://www.britishcouncil.org/society/social-enterprise>



# Foreword

## **Why is the British Council looking at social enterprise? The British Council builds connections, understanding and trust between people in the UK and in Africa through arts and culture, education and the English language.**

Building connections and trust begins with mutual areas of concern between our countries. Every time I speak with a government minister in an African nation the conversation is about young people and jobs, even more so in the context of Covid-19. Across Africa, the continent's 'youth bulge' will be the driving force of economies for decades to come.

For the British Council, social enterprise and creative enterprise exist at the overlapping point of a number of different areas of our work: arts and culture, young people and skills.

Social entrepreneurs are leading the way for positive transformation in Sub-Saharan Africa (SSA), where millions of people remain excluded from basic amenities such as education. Their businesses, social enterprises, serve a number of positive roles: in offering a route to self-sufficiency, in providing training and education, and in harnessing skills – all elements that improve access to jobs.

But for a reader of this report the first question will likely be: do they create jobs?

With the overall labour force in SSA estimated at 416 million at the end of 2018, our research indicates that, not only have social enterprises created a significant number of jobs across the region, they create them for people from underserved communities. They don't just exist to support poorer or marginalised groups; they are more likely to employ them as well. Social enterprises are more than just businesses, they serve a social purpose. They help to sustain livelihoods and build strong and inclusive communities, supporting groups who are often left on the sidelines by traditional business models – for example,

they employ a higher proportion of women than the more traditional private sector. Forty-one per cent of the social enterprises have a woman in charge – significantly more than in other businesses.

Our report has found that more social enterprises aim to create jobs (78 per cent) than profit-first businesses (27 per cent). Seventy-three per cent deliberately employ people from poor communities, compared to 56 per cent of profit-first businesses.

Using the best available data, we estimate the number of jobs already created in Africa directly by social enterprises to be between 28 million and 41 million.

Social enterprises are good employers, so the second question is: can they do more?

As Africa's workforce increases, the pressure for job creation rises along with it. Africa's first recession in 25 years, coming unexpectedly on the back of the Covid-19 pandemic, will not help.

This report seeks to cast light on the current situation for social enterprise in SSA, but also on the barriers to expansion and the ways that social entrepreneurship can be supported at government, institutional and individual levels. Better employment opportunities for Africa's youth call for a better understanding of Africa's overall social and economic challenges and how to create an enabling environment for social entrepreneurs to thrive.

In the UK and African nations, social enterprises represent a modern appreciation of a more traditional form of smaller community business.

Social enterprise places communities and people at its heart. Through our work we hope to connect those entrepreneurs with people and organisations in the UK and with each other, exchanging ideas, developing networks and building relationships and trust. And that's why the British Council supports social enterprise.

**Moses Anibaba**  
Regional Director, Sub-Saharan Africa  
British Council

# Foreword

**The year 2020 has brought radical changes to the world of work. The Covid-19 pandemic, which started out as a health crisis, quickly developed into a socio-economic one as governments across the world shut down economies to contain the spread of infections. Enterprises around the world were forced to suspend or scale down operations, greatly affecting employers and workers in particular, and employment in general. Lockdown measures affected close to 2.7 billion workers, more than 80 per cent of the world's labour force. More than 300 million jobs are likely to be lost worldwide.**

I am encouraged by the findings of this report, particularly as it demonstrates how social enterprises create social and economic value while simultaneously fostering solidarity. Indeed, despite challenges faced by small enterprises across Africa and the associated decent work deficits in the sector, this study shows that social enterprises *do* create jobs. It is vital to indicate that most of the jobs created are for marginalised and vulnerable people, and for women. Furthermore, due mainly to more time spent on training and upskilling of staff, and their focus on impact, social enterprises have the potential to offer better-quality jobs.

While solidarity is the foundation of African communities, the social enterprise as an organisational form is novel in the way it seeks to combine 'enterprising' behaviour and the legitimate quest for profit, while also addressing

societal challenges and needs. This is the auspicious time to champion a new type of entrepreneurship, which puts people and planet at its heart on *equal terms* with profit. One that builds solidarity, togetherness, mutual support, trust and well-being. A distinguishing character of these organisations is that their profit is re-invested towards social and environmental goals.

On the African continent the effects of the Covid-19 crisis go beyond the short term. Particularly when you consider that prior to the current crisis, the pace and type of economic growth was insufficient to create employment for the more than ten million young people who enter the labour market each year. Only about one-third are able to find employment, with a majority seeking work in the informal economy characterised by decent work deficits which negatively affect the realisation of their potential.

By shining the spotlight on the potential of social enterprises in the creation of decent work in Africa, this publication by the British Council offers hope in these challenging times. It shows the resilience of men and women as social entrepreneurs in a time of crisis. It demonstrates an opportunity to refine our existing socio-economic model with a more inclusive way of doing business that will allow us to build back better from the crisis. It shows a novel, and perhaps a more impactful, way.

I trust that effective support to social enterprises will help 'build back better' and contribute to achieving social justice.

**Cynthia Samuel-Olonjuwon**  
**Assistant Director General and Regional Director**  
**for Africa**  
**International Labour Organization**



Creative Minds is a new model for affordable education.



## About the authors

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## Acknowledgements

The British Council and authors would like to thank all the people who took part in the surveys, focus groups and interviews for providing such rich information for this report. We would also like to thank our colleagues at the British Council, Robert Njoroge and Owen Dowsett, for commissioning and overseeing the research, and Paula Woodman for additional comments and feedback.

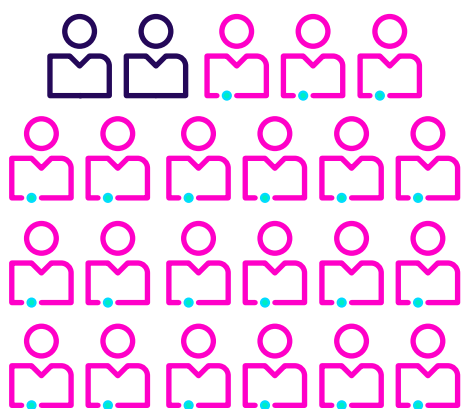
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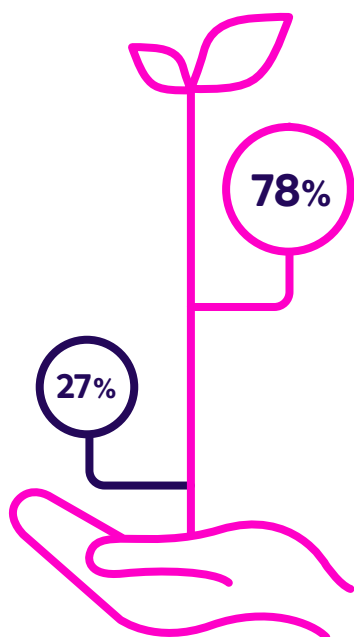
## Social enterprises create jobs



Using the best available data, the estimate for the number of jobs directly created by social enterprises in Sub-Saharan Africa (SSA) ranges from **28 million to upwards of 41 million**.

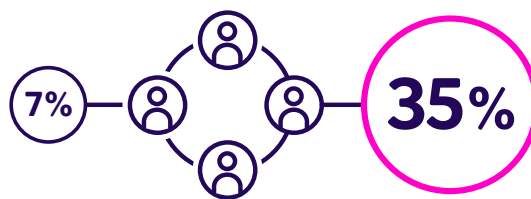


Looking at all countries in SSA for which there is data, **registered small and medium-sized enterprises employ an average of two people**, while **social enterprises employ an average of 21**.



Data from our survey suggests that only **27 per cent of profit-first businesses** actively seek to create jobs, compared to **78 per cent of social enterprises**.

## Social enterprises create jobs for those who need them most

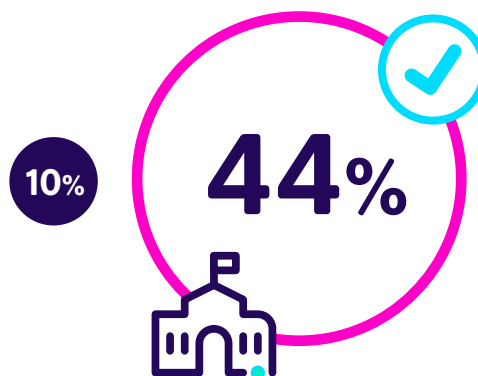


**35 per cent of social enterprises** specifically aim to support vulnerable people, compared to **only seven per cent of profit-first businesses**.

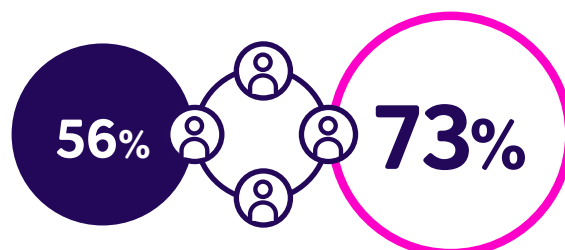
### Over 49%

**of social enterprises in our survey** said that if they did not employ them, their workforce would either be unemployed or working elsewhere in worse conditions and for less pay.

## Social enterprises create jobs where they are needed most



**44 per cent of social enterprises** aim to improve a particular community, compared to **ten per cent of profit-first businesses**.



Furthermore, **73 per cent of social enterprises** deliberately employ people from poor communities, compared to **56 per cent of profit-first businesses**.



## Social enterprises provide opportunities for women



Social enterprises employ proportionally more women than the private sector across all countries where there is comparison data.

27%

41%

41 per cent of social enterprises have a woman in charge compared to only 27 per cent of profit-first businesses.

## Social enterprises offer better-quality jobs

61%

1 month

76%

76 per cent of social enterprises said they would need to give at least one month's notice before making an employee redundant, compared to only 61 per cent of profit-first businesses.

26%

50%

50 per cent of social enterprises responding to our survey say their staff receive over five days training and development a year, against only 26 per cent of profit-first businesses.

## Social enterprises in SSA don't always pay a living wage to their employees...

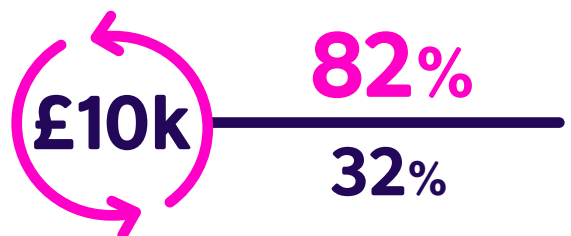


57 per cent of social enterprises paid their highest paid worker enough to be above the defined living wage for that country.

...but bigger social enterprises are more likely to.



Social enterprises generally need to reach a turnover of £10,000 a year before they start paying a living wage to their employees.



82 per cent of social enterprises with an annual turnover of more than £10,000 pay their highest paid worker above the living wage compared to 32 per cent operating below this threshold.

# Social enterprise in the context of Covid-19

## Introduction

Since the data for this report was collected, and much of the content written, the spread of Covid-19 has presented a new and unprecedented global challenge. The case for social enterprise becomes even clearer in this context. As is brought to life in this report, social enterprises provide jobs and decent work; they employ and support people who are otherwise excluded from the labour market; and they tackle the key social and environmental challenges of our time.

Since the onset of the global pandemic we have seen social enterprises rise to the challenge of Covid-19, refocusing their work to fill gaps in service provision and position themselves for the economic and social fallout from the crisis. There will, in the coming months and years, be unrivalled global demand for new jobs. We must ask ourselves on what basis such jobs should be created and how that can be assured. At a time of vulnerability and uncertainty, the potential of social enterprise to help build a better future cannot be understated.

## The challenge

*Governments are trying to balance the need to protect weak healthcare systems from being overwhelmed and allowing hundreds of millions of people to earn their livelihoods.<sup>1</sup>*

For a while it seemed that countries in Sub-Saharan Africa (SSA) might avoid the impacts of Covid-19 seen elsewhere – maybe the youth bulge would minimise significant health issues, and perhaps quicker and stricter lockdowns than those seen in other regions would prevent the disease becoming unmanageable and health services overburdened. This is not the case. In early July, new cases in Africa were up 24 per cent in the space of a week, with Egypt, Nigeria, South Africa, Ghana and Algeria accounting for 71 per cent of infections.<sup>2</sup> Initial fears about the difficulties of social distancing in crowded communities, and where livelihoods are inextricably tied to the daily use of busy public transport and markets, have turned out to be well-founded.

Beyond its immediate health impacts,<sup>3</sup> the pandemic's longer-term effect on economies and jobs is of utmost concern. The International Labour Organization (ILO) estimates the Covid-19 pandemic will destroy more than 305 million jobs worldwide. Even before the crisis, there was a need for 600–800 million additional jobs in SSA by 2050. The African Development Bank (AfDB) estimates that an additional 24.6–30 million jobs will be lost across the continent this year because of Covid-19. The AfDB also projects that between 28.2 and 49.2 million more Africans will be pushed into extreme poverty (living on less than \$1.90 a day) with 8.5–11.5 million of these in Nigeria.<sup>4</sup> In a recent survey by the British Council of 4,600 young people across six countries in SSA,<sup>5</sup> 78 per cent were concerned about economic recession, 64 per cent were worried about not being able to pay bills, and 60 per cent were anxious about losing their job.

Furthermore:

*The brunt will be mostly felt by the working poor, who account for almost half of the employed. And the crisis would also affect the nature of surviving jobs, since wages and working hours for those in the formal sector could be downgraded, and the number of workers switching to informal sector jobs could increase as a survival strategy to maintain incomes in the face of lockdowns and restrictions.<sup>6</sup>*

It is clear around the world that Covid-19 has exacerbated and brought to the fore a wide range of structural weaknesses and injustices. The susceptibility of certain workers in certain jobs in certain sectors is a key aspect of this. In many OECD countries, for example:

*[y]oung people and women are among those at greatest risk of joblessness and poverty. They generally have less secure, unskilled jobs and are highly represented among workers in industries most affected by the crisis, such as tourism and restaurants.<sup>7</sup>*

There are different versions of this story in different places, but the general trend will be strikingly similar: that threats to job security and livelihoods as a result of Covid-19 will increase inequality. Research in South Africa,

1. <https://www.theguardian.com/world/2020/jul/09/south-africa-warns-of-coronavirus-storm-as-outbreak-accelerates-across-continent>

2. *Ibid.*

3. At the time of writing, Africa CDC reported there had been 871,970 cases (with more than half of those in South Africa) and 18,475 deaths – see <https://africacdc.org/covid-19/>

4. <https://www.afdb.org/en/documents/african-economic-outlook-2020-supplement>

5. Nigeria, Ghana, Zimbabwe, Kenya, Sudan and Ethiopia.

6. *Ibid.*

7. <http://oecd.org/employment-outlook>

where ‘one in three people who earned an income in February did not do so in April’, shows that ‘women account for 2m of the 3m net jobs lost [and] [m]annual workers were nearly three times as likely to have been laid off as professionals’.<sup>8</sup>

People who already experience barriers to the labour market may face new challenges. Workers with poor job security and working conditions are more prone to abuse and unfair treatment as company purses are squeezed, and people in search of work are more likely to accept substandard arrangements.

But, as much as Covid-19 brings significant challenges, it also presents an opportunity to reboot economies on a firmer and fairer footing – a footing that ensures no one is left behind and decency of work for all.

### Social enterprise in a troubled world

So what does social enterprise offer in this scenario? This report suggests three distinct ways that social enterprises support inclusive job creation and decent work (see page 24). In each of these there are fantastic examples from SSA and elsewhere of how social examples are repositioning to adapt to the Covid-19 crisis, and mitigating both immediate and longer-term pressures on employment.

First, the report explores the role of **social enterprises in education and training**, equipping young people with the knowledge and skills to find and create work in the future. With schools having been closed in many countries and widespread anxiety linked to Covid-19, the potential disruption to children’s education is significant. Social enterprises in SSA are working to minimise this impact and ensure children remain well-placed for future employment. In Ethiopia, for example, Erk Mead focuses on mental health and education by delivering programmes for children and youth via a radio show and other media platforms. During the crisis Erk Mead has been working with the Ministry of Education to create programming that calms anxieties and addresses the spread of misinformation.<sup>9</sup>

Second, the report highlights how **social enterprises are directly providing employment**. Tiwale is a social enterprise in Malawi that supports women and girls with educational and entrepreneurial opportunities. Their work has been significantly affected during the Covid-19 crisis with much of their programme no longer deliverable in its previous format. Yet, part of their response has been to mobilise their members and move into the production of protective face masks. These are made in safe and socially distanced sewing workshops, providing much-needed work for Tiwale community graduates. The masks are then donated to essential workers in Malawi and sold to the public to support Tiwale programmes and members, and continue mask production.<sup>10</sup>

Third, **social enterprises support other entrepreneurs** to start or expand their own businesses. Kawa Moka is a café based in Accra, Ghana, which sources its beans from female farmers. With Covid-19 the business has been forced to shut its café, but the founder has fulfilled a long-held ambition by processing artisan roasted beans and selling them online, thus helping to sustain the livelihoods of the farmers.<sup>11</sup> There are also plenty of stories of hubs and incubators, themselves operating as social enterprises, developing new content and methods of delivery to ensure social entrepreneurs are able to weather the Covid-19 storm and develop new opportunities moving forward. The Social Enterprise Academy, for example, has established online peer response groups in South Africa.<sup>12</sup>

While adapting their work to address new social challenges and work within new restrictions, social enterprises in SSA are softening the impact of Covid-19 on employment and sustaining livelihoods. They are minimising disruption to education, they are directly providing employment and seeking to protect jobs, and they continue to support other entrepreneurs and enterprises. Even where they are not directly focused on education and employment, they are often having a positive effect on job protection. For example, providing essential items such as personal protective equipment (PPE) to the wider community mitigates health impacts and enables people to continue to work.

Beyond job numbers, **inclusive employment and decent work** are also key themes running through the report. These are considerations that some companies have de-prioritised in the context of Covid-19. For example, the revelation that Nestlé will no longer source Fairtrade sugar and cocoa means a significant loss of income (totalling £1.95 million) for some of the world’s most vulnerable small-scale farmers.<sup>13</sup> Yet it is at precisely this time, when many communities are especially vulnerable, that commitments to inclusivity and fairness need to be upheld.

As the report highlights, 35 per cent of social enterprises in SSA specifically aim to support vulnerable people, compared to only seven per cent of profit-first businesses. Forty-four per cent of social enterprises aim to improve a particular community, compared to ten per cent of profit-first businesses. Over 49 per cent of the social enterprises surveyed said that if they did not employ them, their workforce would either be unemployed or working elsewhere in worse conditions and for less pay. These are businesses that exist precisely to uphold inclusivity and decency of work, and will remain committed to such causes as long as they are able to operate.

8. <https://www.economist.com/middle-east-and-africa/2020/07/18/covid-19-has-throttled-south-africas-economy>

9. <https://www.facebook.com/ErkMeadMedia/>

10. <https://www.tiwale.org/>

11. <https://kawamoka.com/>

12. <https://www.socialenterprise.academy/za/whats-on/peer-response-groups-722>

13. <https://www.fairtrade.org.uk/media-centre/news/fairtrade-producers-raise-their-voices-to-ask-nestle-to-keep-kitkat-fairtrade/>

## Support for social enterprise

As much as they are already providing support, and hold potential for the future, social enterprises are also susceptible to the challenges presented by Covid-19. In a survey of social enterprises in the UK for example, Social Enterprise UK (SEUK) found that 17 per cent have had to make at least one member of staff redundant since February 2020.<sup>14</sup> Some of the social enterprises included within this report are similarly struggling. We know that at least one of the education providers is having to dip into personal savings to pay staff salaries while students are confined to their homes.

**There is a role for governments and investors here, in keeping social enterprises afloat through difficult times, stimulating innovation to tackle the crisis, and ensuring social enterprises play a central role in longer-term recovery.**

With regards the first, governments and investors around the world have introduced measures to support entrepreneurs and companies, including social enterprises, through the crisis. In Kenya, the Co-operative Coronavirus Response Committee has been set up to provide emergency support to 500,000 co-operative households directly affected by the pandemic through loss of income.<sup>15</sup> The Portuguese government has launched various measures in support of around 6,000 associations, foundations and co-operatives of social solidarity, houses of mercy and mutual societies.

The efforts of donors and investors are neatly captured by CovidCap.com, an online platform which provides a searchable database of over \$1 trillion in Covid-19 cash relief resources from around the world.<sup>16</sup> These include the South African Future Trust, which offers interest-free loans for paying the salaries of permanent employees,<sup>17</sup> and the Refugee Entrepreneurs Covid-19 Resilience Fund, which is deploying emergency cash grants to hundreds of refugee-led enterprises, including in Nigeria.<sup>18</sup>

Even where measures are not specifically aimed at social enterprises, governments and investors must still reflect on the types of business practices they are not prepared to endorse. For example, governments in Denmark, Poland and France were all quick to disqualify firms registered in offshore tax havens from benefiting from their coronavirus bailout schemes.<sup>19</sup> On the other hand, support measures have also sometimes discriminated (unwittingly or otherwise) against social enterprises and other impact businesses. In the UK only 29 per cent of social enterprises surveyed by SEUK have successfully made claims through the UK government's Coronavirus Job Retention Scheme.<sup>20</sup>

Second, governments and investors are seeing the potential of social entrepreneurs and enterprises to develop innovative solutions to the pandemic. The AfDB's Covid-19 Response Facility has issued multiple loan packages to support African countries in response to Covid-19,<sup>21</sup> but it also launched the #AfricaVsVirus challenge. This brought together more than 25,000 participants from across Africa and beyond to collaborate in developing solutions to the pandemic. Facilitated online over 72 hours, the 'ideathon' attracted 750 final submissions across nine themes, including 'business and economy'. Through its Innovation and Entrepreneurship Lab Platform, the bank will facilitate technical assistance and in-kind contributions totalling more than \$1 million for 20 of the most innovative projects.<sup>22</sup>

Third, governments and investors are considering how to build longer-term support for social entrepreneurs and enterprises to ensure that these form the bedrock of future economies. Nearly 40 per cent of the young people surveyed by the British Council in SSA said that Covid-19 has prompted them to look towards entrepreneurship as a future option; less than 30 per cent are looking to employment. So whether through sense of necessity or opportunity, the appetite is there for a new entrepreneurial cohort to emerge. Given the right conditions and incentives, there is no reason why this should not be *social* entrepreneurship.

And it would seem that investment will increasingly be made available to support this. In its *2020 Annual Impact Investor Survey*, GIIN found that 52 per cent of investors plan to increase their future allocations to SSA (the highest proportion along with Southeast Asia). Forty-three per cent were found to already have at least some allocation to SSA (second only to the US and Canada, which have investment allocated from 47 per cent of respondents), and among repeat respondents the value of investment in SSA had increased from US\$9.6 billion to US\$12.8 billion in 2019. Importantly, 57 per cent of the survey respondents said they are unlikely to change their capital commitments because of Covid-19 and 15 per cent said they are likely to commit additional capital.<sup>23</sup>

There is an opportunity here to stimulate a new age of social entrepreneurialism in SSA, one that not only responds to the challenges presented by Covid-19 but also rights the wrongs of previous such movements. For example, there is evidence that the vast majority of start-ups that receive venture capital in East Africa are founded by expats from the West or by those who have received education abroad.<sup>24</sup> A commitment to equality must be embedded throughout the process and mechanisms intended to support entrepreneurs.

14. Nineteen per cent of the social enterprises have staff in vulnerable groups. See <https://www.socialenterprise.org.uk/wp-content/uploads/2020/07/SEUK-SEAP-First-Survey-June-2020.pdf>

15. <https://www.standardmedia.co.ke/kenya/article/2001379085/cooperative-households-to-benefit-from-covid-19-aid>

16. <https://www.covidcap.com/>

17. <https://harambee.co.za/employerresources/sa-future-trust-saft/>

18. <https://www.grapevine.org/c/QtyWhZ/Refugee-Entrepreneurs-COVID-19-Resilience-Fund-RECOVER-Fund/home>

19. <https://www.thelondoneconomic.com/politics/france-joins-denmark-and-poland-in-banning-tax-haven-firms-from-coronavirus-relief/23/04/>

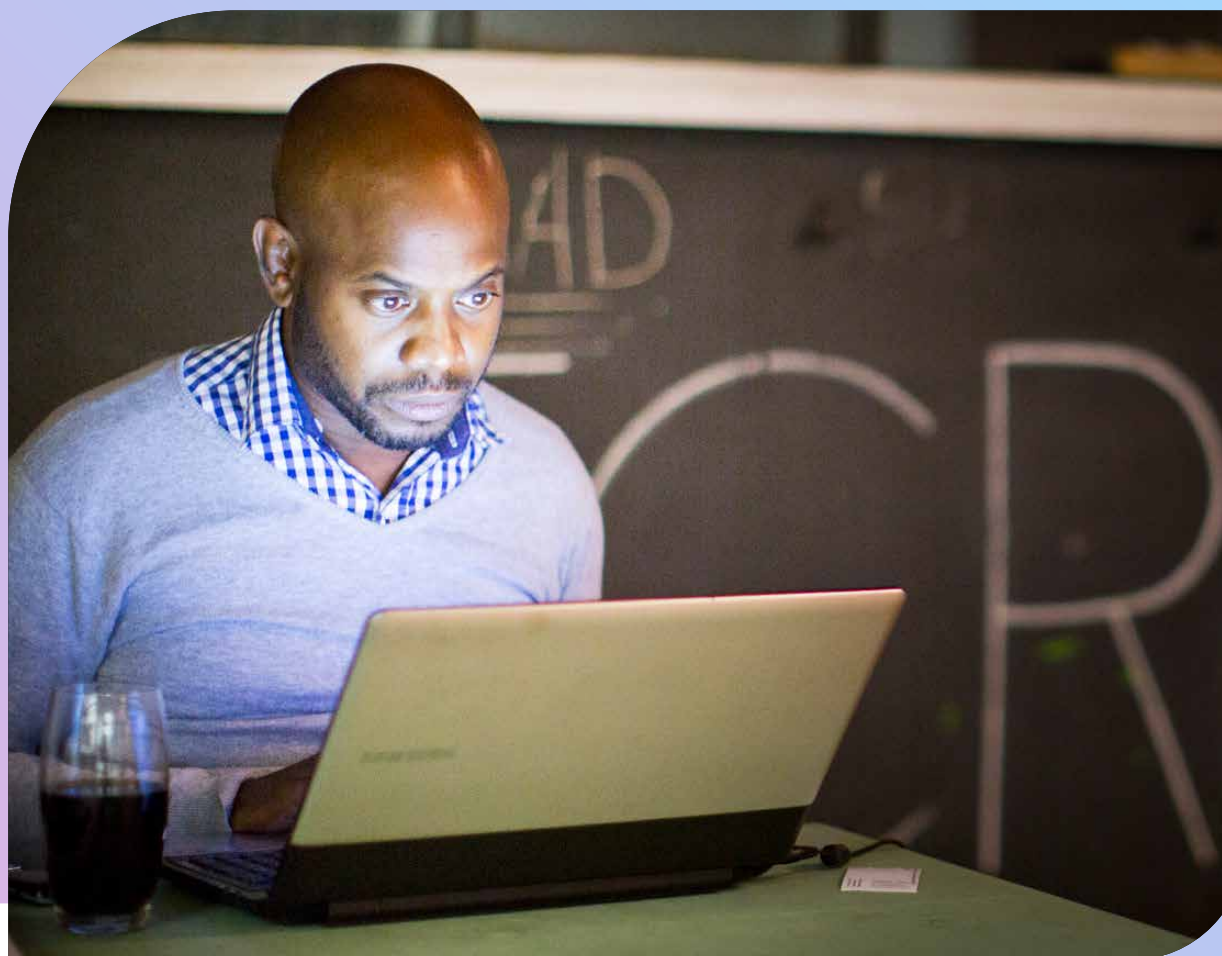
20. <https://www.socialenterprise.org.uk/wp-content/uploads/2020/07/SEUK-SEAP-First-Survey-June-2020.pdf>

21. <https://www.afdb.org/en/news-events/our-covid-19-response-date>

22. <https://africavsirus.com/>

23. <https://thegiin.org/assets/GIIN%20Annual%20Impact%20Investor%20Survey%202020.pdf>

24. <https://ventureburn.com/2018/08/investor-bias-expat-founded-startups/>



## Conclusion

The Covid-19 pandemic is bringing into sharp focus debates that have been simmering for many years now: Who do businesses work for? Who works for businesses? On what basis? What role can governments and investors play in promoting or discouraging business practices? In the Covid-19 context there is a clear opportunity to reflect on the status quo and to #BuildBackBetter.<sup>25</sup>

As much as the pandemic is drawing attention to some of the structural injustices and tensions that impede our societies and economies, it is also highlighting the value of businesses that put social benefit at their core. Social enterprises have been operating, in one form or another, for time immemorial, but there may never have been a better moment for them to enter the mainstream.

Whether in the countries of SSA or elsewhere, the greatest concern regarding the long-term impact of Covid-19 has been the loss of jobs. This report highlights the ways in which social enterprises in SSA support job creation. This was already a priority in SSA, and it will only have become more so during the pandemic, along with the more pressing challenge of retaining existing jobs.

In both the retention and creation of jobs moving forward, there must be a commitment to the *inclusivity* and *decency* of employment. In both respects, Covid-19 has brought injustices. Under financial pressures, many companies are renegeing on the employment opportunities they offer to marginalised communities and the decency of work they provide. Certain people in certain lines of work are systematically more likely to lose their jobs or be subjected to deteriorating conditions.

Social enterprise, as a socially oriented way of doing business, can help to mitigate this impact in the context of both Covid-19 and future crises. It can help to ensure decent work for all. But to achieve their potential, social enterprises and aspiring entrepreneurs depend on an enabling environment, enshrined in supportive policy, access to finance and business support, opportunities to collaborate, forums and networks to share best practice and build a collective voice, and so on.

The Covid-19 crisis presents an opportunity to re-examine Africa's fiscal and socio-economic policy priorities and to build stronger health and social sectors for the long term. This will require a multisectoral strategy that has commitments to socially oriented business and equality at its core. It is only then that we can aspire to truly build back better.

25. [https://twitter.com/hashtag/buildbackbetter?ref\\_src=twsrc%5Egoogle%7Ctwcamp%5Eserp%7Ctwgr%5Ehashtag](https://twitter.com/hashtag/buildbackbetter?ref_src=twsrc%5Egoogle%7Ctwcamp%5Eserp%7Ctwgr%5Ehashtag)

# Executive summary

‘Don’t choose creating jobs, because this leads only to counting jobs. Choose creating sustainable, inclusive economies.’

Sriram Bharatam, Kuza One, Kenya

## The challenge

The International Labour Organization (ILO) estimates the Covid-19 pandemic will destroy more than 305 million jobs worldwide.<sup>1</sup> Even before this global crisis, Sub-Saharan Africa (SSA) needed to create between 600 and 800 million additional jobs by 2050 to keep pace with the growing population. Furthermore, many existing jobs in SSA fall a long way short of the ILO’s definition of ‘decent work’. Thirty-eight per cent of employed workers in SSA currently live on less than \$1.90 a day. Many lack job security or safe, sanitary conditions.

The real challenge facing SSA is not just creating more jobs, but creating good jobs.

Poorly paid employment can mitigate against some of the worst aspects of extreme poverty. Low-paying work may be better than no work at all. But in the context of job creation, the ambition ought surely be to create decent jobs that pay a living wage. Enough to pay for food, housing, education and healthcare. Furthermore, better paid jobs create more disposable income, which in turn stimulates the local economy, creating more jobs in local businesses.

## Existing solutions

Training people to make them more employable is the most common approach to unemployment in SSA. It has little or no impact on overall unemployment, unless the training is in entrepreneurship or supporting farmers to be more productive.

In low-income, rural, farm-based economies, the most effective approach to job creation is to increase the productivity and profitability of family farms, and to help families develop additional income streams through micro-entrepreneurship. In more urban economies, a different

approach is needed – increasing the number of better paid jobs through developing new and existing businesses.

## The role of social enterprise

Social enterprises are businesses whose primary purpose is addressing a social or environmental challenge, rather than creating profit for owners or shareholders.

Social enterprise can play an important role in meeting the jobs challenge in SSA. Our research suggests that social enterprises are more likely than mainstream, profit-first businesses to prioritise job creation. In fact, social enterprises could already be providing full-time work for up to 41 million people in the region.<sup>2</sup>

Even this figure underestimates the real contribution social enterprise is making towards tackling unemployment in SSA. Social enterprises impact job opportunities in three distinct ways.

1. Some **social enterprises provide education**, running schools or working with young people to give them the skills they need to gain and create decent jobs. Others provide training further down the line, particularly supporting vulnerable and marginalised people into work.
2. Almost all **social enterprises directly create jobs** themselves, providing employment or self-employment opportunities, often for those who are marginalised or vulnerable.
3. Many **social enterprises also support entrepreneurship** either by:
  - a. enabling others to start enterprises, whether social or profit-first, which in turn create jobs
  - b. supporting existing businesses, including smallholder farmers, to increase the quality and quantity of jobs they provide.

## Social enterprises provide education

Investment in education is widely seen as one of the most effective long-term measures countries can take to create the conditions for increasing the number of decent jobs. Social enterprises are playing a crucial role here too, with many low-fee private schools running on a social enterprise model, providing access to high-quality education where public education is inadequate. Around a third of Ghana’s schools are social enterprises, for example.

Other social enterprises are bringing entrepreneurship and IT into the education system, ensuring the next generation of young Africans have the skills needed to create jobs in the decades to come.

1. [https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS\\_745879/lang-en/index.htm](https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_745879/lang-en/index.htm)  
 2. <https://www.gemconsortium.org/report/gem-2015-report-on-social-entrepreneurship>

Making social entrepreneurship a core part of the curriculum at primary, secondary and tertiary levels could provide a framework for young people in SSA to develop the skills they need to create decent, sustainable jobs at the same time as addressing many of the continent's other social and environmental challenges.

### **Social enterprises create jobs where they are needed most**

Social enterprises operate and create jobs across most sectors of the economy, from agriculture to education; from health and care to financial services. There are social enterprises working to improve jobs within very traditional industries like farming and craft, and also social enterprises working at the cutting-edge of new technology; transforming livelihoods through the use of smart phones, apps and green technology.

- Seventy-eight per cent of social enterprises in SSA actively seek to create jobs, compared to only 27 per cent of profit-first businesses.
- Social enterprises are more likely to employ people from poor communities and from marginalised sections of the population, and more likely to employ women.
- Social enterprises also invest more time and resources in training and upskilling their staff.
- Social enterprises can develop businesses where commercial, profit-first businesses fail, often developing new models in areas or sectors where there is not yet a commercial market.

There is still work to be done to support social enterprises to create more decent jobs. Most social enterprises in SSA are not paying their lowest paid workers a living wage. Fifty-seven per cent are paying their highest paid workers a living wage – this rises to 82 per cent for social enterprises with an annual turnover above £10,000.

### **Social enterprises support other businesses to create jobs**

As well as creating jobs themselves, many social enterprises are instrumental in supporting other business in SSA to do the same. There are social enterprises supporting every stage of the business journey, from developing an entrepreneurial mindset, through business ideation and incubation, to growth and development.

- A third of the tech-focused incubators that are members of the AfriLabs network specifically mention social impact in their profile.
- The Clothing Bank in South Africa trains 1,000 women a year to become self-employed traders.
- Solar Sister in Nigeria trains women to become green-tech entrepreneurs.
- FRAISEN, a social enterprise in Senegal, aims to have created jobs in strawberry farming for over 10,000 young people by 2025.
- Kuza, operating in Kenya and Mozambique, has enabled 3,250 'agripreneurs' to support 525,500 farmers, creating an estimated 150,211 new jobs.

Each of these social enterprises may only be employing a small number of people directly, yet each has the potential to create hundreds of jobs through supporting self-employment, new business start-ups, and business growth.

### **Supporting social enterprise**

Despite the potential for social enterprise to create jobs in SSA, there has still been very little investment in supporting their development or growth. There is no commonly understood definition, and a World Bank review of social enterprise ecosystems in SSA found only South Africa explicitly recognised social enterprise in its policies.

Yet, social entrepreneurship, as opposed to profit-first entrepreneurship, is providing opportunities for around a quarter of all entrepreneurs in SSA – around 64 million men and women.

Notwithstanding the lack of government support, there are a growing number of incubators dedicated to supporting social entrepreneurs to start and scale their ventures. Evidence seems to suggest that these can be at least as effective as profit-first incubators, although there is a lack of robust data.

Many social enterprises create jobs within the informal economy, where barriers to entry are lower. The informal economy can itself be seen as an incubator for both profit-first and social enterprises, with the vast majority starting informally. However, around 66 per cent remain informal. These are typically characterised by low productivity, low wages and low security.<sup>3</sup>

To create jobs that pay a living wage, organisations in SSA need to reach a turnover of around £10,000 a year. Thirty-two per cent of social enterprises operating below this threshold pay their highest paid worker above the living wage for the respective country compared to 82 per cent of social enterprises operating above this threshold. These figures drop to five per cent and 17 per cent respectively when the pay of the lowest paid worker is considered. Social enterprises should therefore be supported to grow, and to formalise.

### **Conclusion**

Evidence across SSA on the impact of social enterprises, or indeed other approaches to job creation, is weak. However, the available data suggests that investing in social enterprise should be a significant component of government, investor and NGO strategies to address the challenge.

Social enterprises appear to employ, on average, as many people as profit-first SMEs. Quite possibly more. The jobs they create benefit the poorest and most vulnerable, and empower women more effectively than the profit-first sector. And the jobs are of comparable quality with the profit-first sector, often providing greater development opportunities and job security.

3. [https://www.ilo.org/africa/whats-new/WCMS\\_377286/lang--en/index.html](https://www.ilo.org/africa/whats-new/WCMS_377286/lang--en/index.html)

By creating hybrid business models, often combining grants with commercial activities, social enterprises are able to create new markets and deliver services in areas where profit-first businesses fail.

And, of course, at the same time as creating jobs, social enterprises are also working to address many of Africa's other pressing challenges, whether that's health services, sanitation, plastic waste or climate change. Jobs created by social enterprises are more than just jobs.

**Social entrepreneurship and social enterprise should be supported to deliver sustainable jobs, more equitably distributed, while at the same time tackling some of the key social and environmental challenges facing SSA. They deserve much greater attention in government and international policy.**

## Recommendations

Governments and international development organisations should prioritise understanding the impact and the potential of social enterprise in SSA, and develop policies and practice to support its development. There are also roles for universities, social enterprise support intermediaries and social enterprises themselves. In particular, we make the following recommendations.

### Governments

Governments across SSA should:

- agree a more holistic measure of growth than GDP, one that considers the distribution of wealth and impacts on non-economic factors such as well-being and the environment
- implement robust evaluation and impact measurement of existing programmes to tackle unemployment, create decent jobs and support inclusive employment. Clear evidence is needed to make effective policy and investment decisions
- agree a standard definition of social enterprise, appropriate for the region. This is fundamental to allow governments to discuss social enterprise, and to design and implement appropriate policies. Governments could use the EU definition<sup>4</sup> as a starting point, but this may need to be adapted to fully reflect the reality of social enterprise in SSA
- gather data on social enterprises, alongside traditional profit-first businesses and NGOs. This would include information about their prevalence, location, constitution, focus, size, turnover, employment practices, sustainability, access to finance, impact, challenges, etc. This will allow policy to be debated and decided based on evidence
- focus efforts on improving their country's position in the 'ease of doing business' rankings.<sup>5</sup> In particular this would mean making it easier to register businesses (including social enterprises), to access appropriate finance and to create formal jobs
- implement policies that encourage businesses to develop as social enterprises, working with the social enterprise sector to develop guidelines, including with regard to appropriate employment practices. Such policies may include tax incentives, preferential access to government contracts, fast-track registration, specific business finance or support packages, or other incentives for social enterprises
- utilise social enterprise models to develop schools to provide universal access to quality education, enabling young people to obtain the skills and experience needed to improve their employment and livelihood prospects within the informal and formal sectors. These could combine a low-fee structure, with quality control measures
- ensure education includes a focus on ICT and digital literacy, on entrepreneurship and innovation, and specifically on social entrepreneurship and innovation. Young people should leave education inspired and equipped to become job creators rather than jobseekers
- target more post-education training towards entrepreneurship, particularly social entrepreneurship, and on improving the productivity and efficiency of SMEs and farms
- ensure businesses, including social enterprises, with low turnover are not over-burdened with tax or bureaucracy
- support processes that strengthen labour market laws and governance to encourage all employers, including social enterprises, to work within the formal sector, and to provide fair working conditions to employees
- set minimum wage policies that align with the living wage for that country,<sup>6</sup> and enforce the practice across employment in all sectors, formal and informal
- introduce specific financial support for social enterprises. Eighty-two per cent of social entrepreneurs in SSA invest their own money in their enterprises, on average around 29 per cent of the required start-up. Only 38 per cent of social entrepreneurs in SSA are able to access grants or donations to support their operations<sup>7</sup>
- incentivise and support the establishment of social enterprise incubators and accelerators. This should be grounded in an understanding of what works well with accompanying measures to ensure the infrastructure and services provided by incubators and accelerators are of high quality and tailored to the specific needs of social enterprises
- set targets and monitoring to ensure at least 50 per cent of support for social entrepreneurs, including financial support, is utilised by women. This is vital to offset gender bias inherent within such systems globally

4. <https://ec.europa.eu/social/main.jsp?catId=952&intPagId=2914&langId=en>

5. <https://www.doingbusiness.org/en/rankings>

6. <https://wageindicator.org/salary/living-wage>

7. <https://www.gemconsortium.org/file/open?fileId=49542>



- incentivise corporates and other commercial organisations to donate a portion of their profits to support social enterprises
- work with banks to ensure that 25 per cent of their business loan portfolio is invested in social enterprises
- work with international development organisations, universities and social enterprise support programmes, incubators and accelerators to implement the recommendations below.

### **International development organisations**

International development organisations should:

- prioritise gathering data on social enterprise and social entrepreneurship across SSA to understand the significance, impact and potential of this sector
- develop advice, guidance and development programmes with an understanding and consideration of the potential role of social enterprise in addressing the unemployment (and under-employment) gap, and other social and environmental challenges facing SSA
- work in tandem with governments, incubators and accelerators, to establish business support programmes for social enterprise
- consider the impact of social enterprise models in providing education in SSA
- consider how best to resource project-funded work, where possible replacing short-term contracts suited to internationals with capacity building and partnerships with local organisations and consultants.

### **Universities**

Social enterprise is under-researched globally, but particularly in SSA. Universities have an important role to play in gathering evidence of the role of social enterprise; in understanding the different models in operation, their efficacy and impact; and in exploring what best practice looks like in SSA.

Universities should:

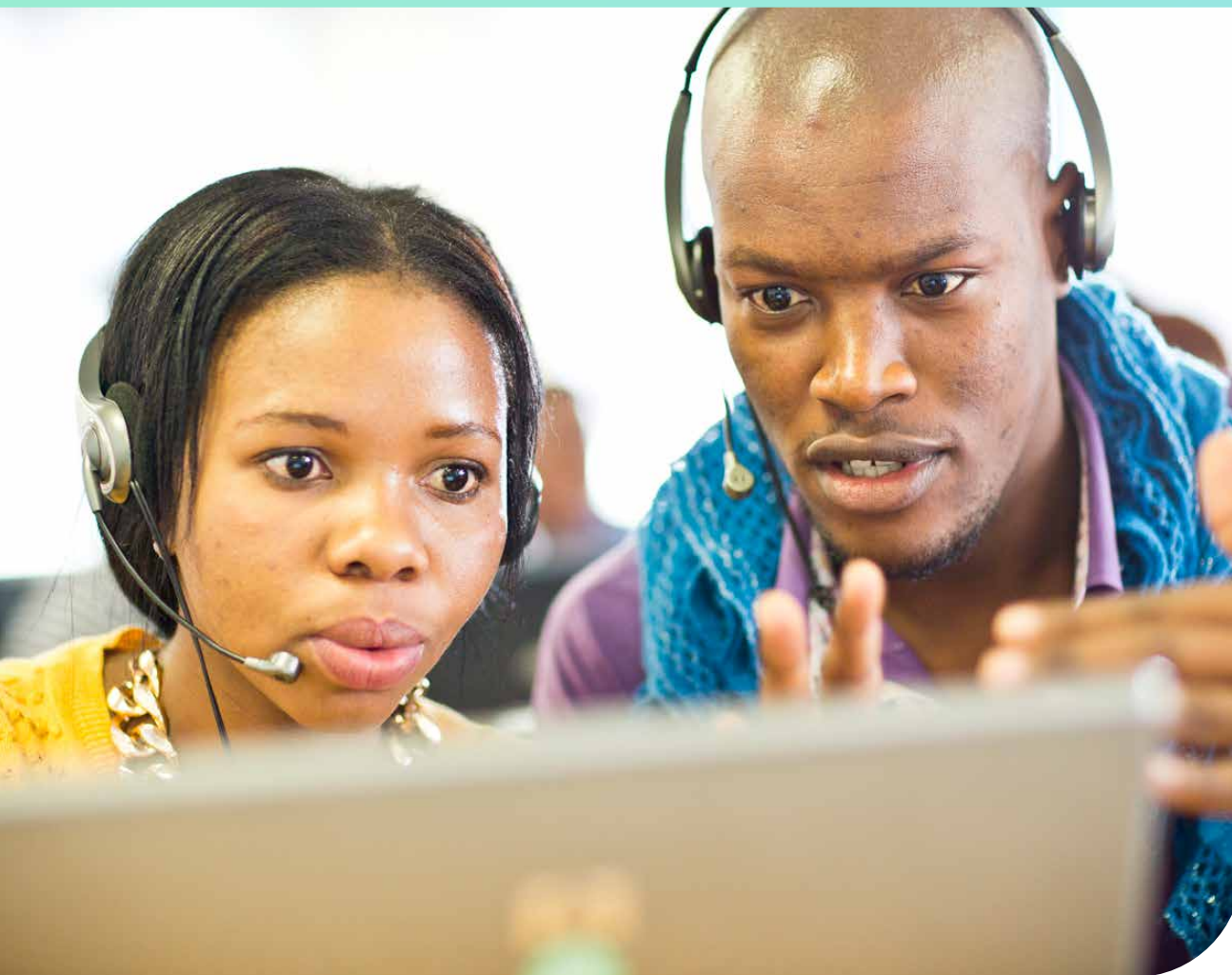
- research the impact of incubators, and especially social enterprise incubators, particularly in relation to job creation
- seek to embed social entrepreneurship as a core component of all undergraduate courses, equipping their students to utilise their subject-specific knowledge to create practical solutions to Africa's challenges, and to create jobs
- consider launching or hosting social enterprise incubators and accelerators, not just for their students but for social entrepreneurs in their local area, utilising business school staff (where they exist) to support the development and growth of social enterprises.

### **Social enterprise support programmes, incubators and accelerators**

Incubators and other programmes working to support the development and growth of new social enterprises should:

- build their model of support around the needs of the participant social entrepreneurs
- recruit managers with expertise and hands-on experience of entrepreneurship, and invest in their personal development and training
- recruit social entrepreneurs and teams who show aptitude, problem-solving abilities, and ambition for sustainable growth. Crucially these should be drawn not just from urban centres but from rural areas too
- invest sufficient time in training, development and mentoring over the long-term. Short-term courses can still be useful to raise awareness, and to identify and recruit high-potential social entrepreneurs
- ensure that the programme incorporates peer-to-peer learning and support, and builds sustainable peer networks
- make sure social entrepreneurs have access to the experts they need, and to networks that will enable them to develop and scale their social enterprise
- build consideration of scaling, inclusive job creation and decent work into incubators and accelerators at an early stage
- support social enterprises to reach a turnover of at least £10,000 a year in the shortest possible time. In SSA this appears to be the amount above which paying workers a living wage becomes more possible
- ensure access to appropriate finance. This may be a mix of grants and repayable finance at different stages of business development. Ensure finance is invested using a gender and broader equality lens – guaranteeing equality of access and opportunity for women and men, and across other social strata





- ensure social enterprises consider the social impact they create through employment, alongside their primary social or environmental objective
- ensure jobs are formal and paying the living wage for that country wherever possible
- gather impact data from social enterprises that are successful in being chosen for the incubator or accelerator programme, and from those that apply but are unsuccessful. This will allow a better understanding of the impact the programme is having. Resources should be built into the programme for this, including financial incentives for responding to impact surveys
- gather impact data that includes full-time, part-time and self-employed jobs created, with details on gender of employees, wages, amount of training and personal development for employees, and whether employees are from underserved groups or communities. Other social and economic impact data should also be gathered
- ensure baseline data is gathered when social enterprises join the incubator, on leaving the incubator, and at annual intervals afterwards. Allow a reasonable budget to incentivise data collection, particularly for social enterprises that have completed the programme
- make the impact data open source so that others can learn from the results, and so that honest comparisons can be made between the efficacy of social enterprise and profit-first incubators with regards to job creation

- set targets to ensure at least 50 per cent of support for social entrepreneurs, including financial support, is utilised by women. This is vital to offset gender bias inherent within such systems globally.

### **Social enterprises**

Social enterprises should work collectively to raise the standards of social enterprise in their country, and across SSA. This includes developing a collective voice with which to promote policy changes that are favourable to social enterprises.

Individually, social enterprises should ensure:

- they register formally as soon as it is sustainable to do so
- they are working to earn at least 51 per cent of their income through trading, rather than from grants
- the majority of their profit (at least 51 per cent) goes to further their social or environmental objectives
- they implement effective financial monitoring and controls
- they seek to measure and communicate their social or environmental impact
- they seek to employ people who would otherwise struggle to get a job
- they enable staff to undertake personal development and training
- they pay all their staff above the national living wage for that country wherever possible.

## 1

# Introduction

The International Labour Organization (ILO) estimates the Covid-19 pandemic will destroy more than 305 million jobs worldwide.<sup>1</sup> Even before this global crisis, Sub-Saharan Africa (SSA) needed to create between 600 and 800 million additional jobs by 2050 to keep pace with the growing population. Furthermore, many existing jobs in SSA fall a long way short of the ILO's definition of 'decent work'.<sup>2</sup> Thirty-eight per cent of employed workers in SSA currently live on less than \$1.90 a day. That's 142 million working people living in extreme poverty. Many more lack job security or safe, sanitary conditions.

This research explores the links between social enterprise and job creation in SSA. Does social enterprise have anything particular to offer? Or, if job creation is the challenge, should governments prioritise support for the profit-first sector?

While considering the implications for the whole of SSA, the research focuses in particular on ten diverse countries in East, West and Southern Africa: Botswana, Cameroon, Côte d'Ivoire, Ethiopia, Ghana, Kenya, Nigeria, Senegal, South Africa and Sudan. It draws on previous research, ILO and World Bank data, more than 80 expert interviews, and a survey of more than 1,800 social enterprises, businesses and NGOs from 16 countries across the region. A full methodology is given in Appendix 3.

This report is broken down into chapters:

- Chapter 1 briefly defines the key terms we use in the report: social enterprise, profit-first and job creation.
- Chapter 2 examines the challenge of unemployment and job creation in SSA.
- Chapter 3 looks at different approaches to meeting that challenge.
- Chapters 4, 5 and 6 then explore different ways in which social enterprises are helping to meet the challenge of job creation:
  - » Chapter 4 looks at the role of social enterprise in schools and education.
  - » Chapter 5 considers social enterprise as job creators.
  - » Chapter 6 explores how social enterprises are supporting other businesses to create jobs.

- Having seen the role that social enterprises can play, Chapter 7 then considers the best way to support the development of social enterprises in SSA.
- Finally, Chapter 8 pulls together recommendations for governments, universities, international development, and for the social enterprise sector in SSA.

## Definitions

Defining 'social enterprise' in SSA is not easy. Defining 'unemployment', 'jobs' or 'job creation' in SSA is not straightforward either. All concepts have fuzzy edges, and it is important to understand these before discussing the impact that social enterprise has on job creation.

## Social enterprise

The lack of a clear, common definition of social enterprise across SSA makes both data gathering and policymaking difficult: it can lead to differing expectations between providers and recipients of support and resources (e.g. impact investors and investees), and it undermines the credibility of the sector. This came up time and again in our research as a barrier for the growth of the social

**“ In SA, there will be ten million more young people needing jobs in the next ten years. If the formal economy does well and absorbs three million, what are the other seven million going to do? ”**

**Rob Taylor, Columba Leadership, South Africa**

1. [https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS\\_745879/lang-en/index.htm](https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_745879/lang-en/index.htm)  
 2. <https://www.ilo.org/global/topics/decent-work/lang-en/index.htm>

enterprise sector, and it certainly leads to confusion. There are companies who self-identify as social enterprises, yet don't fully have a social or environmental mission, or are mostly grant-funded. There are also many social enterprises who don't yet recognise what they are.

The EU definition is clear and straightforward:

*A social enterprise combines entrepreneurial activity with a social purpose. Its main aim is to have a social impact, rather than maximise profit for owners or shareholders.<sup>3</sup>*

We have used this broad definition when considering examples of social enterprises across the sub-continent.

The simple working definition of social enterprise we have employed for our surveys, and which has been used in much of the mapping work and academic study of social enterprise in SSA, is this:

An organisation or business that:

1. **generates at least 25 per cent of its income through trade, and not through grants or donations:** This distinguishes social enterprises from NGOs which are purely or substantially reliant on donations and grant funding
2. **prioritises social or environmental impact ahead of (or equally with) financial profit:** This distinguishes social enterprises from the many businesses in SSA which arguably create significant social impact by creating jobs, but where the *primary* objective is profit for the business owner or shareholders. It allows us to ask whether social enterprises have something specific to offer that profit-motivated businesses do not.

### **Profit-first businesses**

We have used the term profit-first businesses to distinguish social enterprises from businesses whose *primary motivation* is to make profit for their owner or shareholders.

This in no way detracts from the positive social impact that many profit-first businesses have. **In fact, 42 per cent of profit-first businesses in our survey said they are actively trying to create social or environmental impact of some sort.**

### **Job creation**

When considering jobs in SSA we have looked at three distinct categories.

1. **Employment:** Workers who have a formal contract of employment and receive a regular wage or salary.
2. **Self-employment:** Workers who are contracted on a short-term or informal basis.
3. **Entrepreneurship:** Individuals running a business or social enterprise to provide themselves (and others) with an income.

‘ There are a lot of social enterprises in the system who don't classify themselves as such. Because of the unclear legal framework, they don't really know where they fit in. ’

**Dela Ashibor, Department of Social Welfare, Ghana**

Literature on job creation usually considers jobs across all three of these categories.

Job creation is clearly closely linked to tackling unemployment. Traditional approaches to unemployment have looked at the 'skills gap' between what employers need and the education and training levels of the local population. This is often referred to as a supply-side solution.

However, the rapidly increasing population has focused attention on the huge over-supply of labour in comparison with job opportunities, and therefore redirected attention at demand-side solutions: creating more jobs.

The complexity of job creation in SSA is considered in the chapter below.

### **Formal and informal sectors**

The informal economy consists of all labour and trade that is unregulated and untaxed. This might include unlicensed street vendors and taxi drivers, for example, or labourers working on a self-employed basis and not formally employed.

The formal economy consists of organisations and businesses that are formally registered with the government and pay taxes on income that is eligible for tax. It also includes individuals who are formally employed and who pay income tax on their salary, if eligible.

In general, entrepreneurship in SSA begins in the informal economy, and businesses become formalised as they grow or when they need to access finance.

3. <https://ec.europa.eu/social/main.jsp?catId=952&intPagelD=2914&langId=en>

## 2

# The job creation challenge

Sub-Saharan Africa's (SSA) population, which currently sits at one billion, is expected to more than double (to 2.2 billion) within a generation,<sup>1</sup> and already more than 60 per cent of the population is under 25 years of age. Remarkably, since 2000, job creation in SSA has kept pace with population growth. Even though the population has increased by 67 per cent in that time,<sup>2</sup> the employment-to-population ratio actually increased from 63 per cent in 2000 to 64 per cent in 2017, and the region was able to add almost nine million new jobs per year.

However, notwithstanding the inevitable impact of Covid-19 on job numbers, we need to look beyond the quantity of jobs to the quality of jobs and to whom they are available. The fact is that most of the new jobs created in SSA since 2000 were self-employed in agriculture, or services with low-value added.<sup>3</sup>

**The real challenge facing SSA is not just creating more jobs, but creating good jobs for all.**

## Decent work

The International Labour Organization (ILO), part of the United Nations (UN), defines decent work as follows:

*Decent work sums up the aspirations of people in their working lives. It involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men.<sup>4</sup>*

The vast majority of work in SSA does not yet fit the definition of decent work.

## Vulnerable employment

Seventy-four per cent of 'employed' people in SSA are in vulnerable forms of employment – that is, classified as self-employed or as a contributing family member.<sup>5</sup> Self-employed workers lack the stability and protections of an employment contract and are more likely to operate in the informal economy where productivity is lower.

The Brookings Institute argues that under-employment masks the reality in many African countries with seemingly low unemployment rates: 'Young people in Africa find work, but not in places that pay good wages, develop skills or provide a measure of job security.'<sup>6</sup>

There is some evidence, however, to suggest that self-employment can pay as much as wage employment, at least for enterprises of a similar size.<sup>7</sup> And it can still provide much-needed jobs in the right circumstances.

## Working poverty

Even when people in SSA have jobs, many are still living in poverty.

In SSA, the average unemployment rate is 7.3 per cent, reaching as high as 27 per cent in South Africa and Lesotho. Yet poverty rates are much higher than unemployment rates, with 619 million people – 65 per cent of the SSA population – living in poverty (less than \$3.10 per day) and 389 million people – 41 per cent of the population – living in extreme poverty (less than \$1.90 per day).<sup>8</sup>

While unemployment, therefore, accounts for some of those living in poverty in SSA, there are many more who are defined as the 'working poor'. Thirty-eight per cent of employed workers in SSA live on less than \$1.90 a day.<sup>9</sup> That's 142 million people. And the number of poor working youth has increased by as much as 80 per cent over the past 25 years.<sup>10</sup>

1. <https://blogs.worldbank.org/opendata/worlds-population-will-continue-grow-and-will-reach-nearly-10-billion-2050>

2. <http://worldpopulationreview.com/continents/sub-saharan-africa-population/>

3. International Monetary Fund (2017) *The Future of Work in Sub-Saharan Africa*.

4. <https://www.ilo.org/global/topics/decent-work/lang-en/index.htm>

5. <http://datatopics.worldbank.org/jobs/region/sub-saharan-africa> [dead link]

6. <https://www.un.org/africarenewal/magazine/special-edition-youth-2017/africas-jobless-youth-cast-shadow-over-economic-growth>

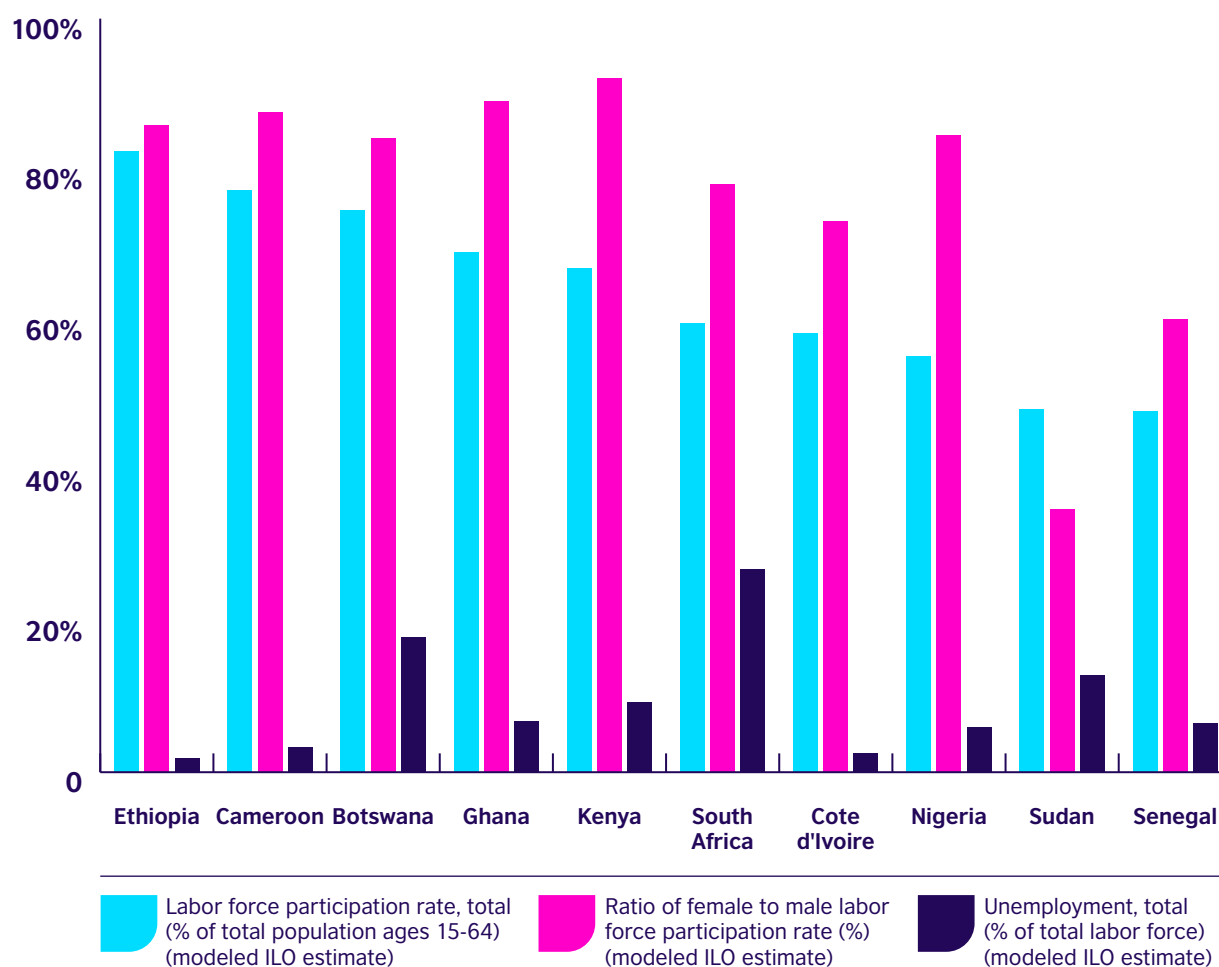
7. Falco, P, Kerr, A, Rankin, N, Sandefur, J & Teal, F (2011) The returns to formality and informality in urban Africa. *Labour Economics* 18: S23–S31.

8. <https://nextbillion.net/new-face-of-poverty-financial-inclusion/>

9. <https://unstats.un.org/sdgs/report/2019/goal-01/>

10. <https://www.un.org/africarenewal/magazine/special-edition-youth-2017/africas-jobless-youth-cast-shadow-over-economic-growth>

Figure 1: Employment in Sub-Saharan Africa. Data taken from <https://datacatalog.worldbank.org/>



Poorly paid employment can still mitigate against some of the worst aspects of extreme poverty. **Low-paying work may be better than no work at all. But in the context of job creation, the ambition ought surely be to create jobs that pay a living wage?** Enough to pay for food, housing, education and healthcare.

### Well-being

Decent work is about more than income and security. It can extend to self-esteem and social identity, including a sense of belonging in society.<sup>11</sup> The World Bank's 2013 *World Development Report* analysed the connection between jobs and social cohesion. Joblessness clearly means more than a lack of income. People also lose social status and access to social networks, and may feel disempowered.<sup>12</sup> A World Bank survey in 2011 showed that about 40 per cent of those who join rebel movements say they were driven by a lack of jobs.<sup>13</sup> Further World Bank research in 2018 demonstrated a strong link between unemployment and radicalisation.<sup>14</sup>

## National and local differences

### National differences

While there are commonalities across the countries of SSA, there are also significant differences.

- Labour force participation rates vary from 82 per cent in Ethiopia to only 47 per cent in Senegal.<sup>15</sup>
- Unemployment rates vary from 27 per cent in South Africa to one per cent in Rwanda.<sup>16</sup>
- The ratio of female-to-male labour force participation varies from 92 per cent in Kenya (almost equal participation) to only 35 per cent in Sudan.

These differences can be seen in Figure 1.

There are also significant differences in how equally the national income is shared across the country. In South Africa the poorest 20 per cent of the population take home only 2.4 per cent of the income, while in Ethiopia the poorest 20 per cent take home 7.4 per cent of the income.

11. World Bank (2012), *World Development Report*.

12. [http://ftp.iza.org/report\\_pdfs/iza\\_report\\_58.pdf](http://ftp.iza.org/report_pdfs/iza_report_58.pdf)

13. <https://www.un.org/africarenewal/magazine/special-edition-youth-2017/africas-jobless-youth-cast-shadow-over-economic-growth>

14. <https://openknowledge.worldbank.org/handle/10986/29561>

15. <https://databank.worldbank.org/source/environment-social-and-governance?preview=on#>

16. *Ibid.*



FRAISEN aims to have created jobs for over 10,000 young people by 2025.

All of these national differences affect which are the most appropriate strategies to address job creation challenges. Perhaps even more important are the different situations in rural and urban areas.

### **Urban versus rural**

At one end of the spectrum, nearly 90 per cent of Burundi's population live in rural areas, where the economy is dominated by subsistence agriculture. At the other end, 86 per cent of Gabon's citizens live in urban areas, their economy built on hydrocarbon exports.<sup>17</sup>

In SSA, 29 countries remain predominantly rural, six predominantly urban, and a further 13 more evenly spread between urban and rural populations.<sup>18</sup> Approaches to job creation are necessarily very different in those very different settings.

In low-income, rural, farm-based economies, few people can afford not to work and the foremost challenge is the low compensation for labour on small, family-based farms. Job creation in these rural areas is often about increasing farm productivity and income to take families out of poverty. Without the opportunity to earn reasonable wages in rural areas, migration to cities will continue to grow.

However, there is a balance to be struck between supporting farmers to grow cash crops that are high value but may have limited nutritional value – like strawberries – and growing low-value products with high nutritional value like potatoes. A focus only on increasing jobs will miss this wider context.

In more urban economies, increasing the number of better paid jobs becomes the focus. Skills become more important, and it becomes harder, particularly for young people, to find wage-based jobs, whether formal or informal.

### **Summary**

A rapidly growing population means SSA needs around 800 million new jobs over the next 30 years, and this was before the Covid-19 crisis emerged (see pages 10–12). Furthermore, most of the existing jobs in SSA do not pay a living wage, with 38 per cent of employed workers living in extreme poverty. SSA needs to create more decent jobs.

Solutions need to take into account the nature of 'decent' work as well as the widely differing contexts between countries, and between urban and rural areas.

17. <https://www.brookings.edu/wp-content/uploads/2016/07/01-foresight-employment-rural-urban-youth-mcarthur-1.pdf>

18. *Ibid.*

## 3

# Existing solutions

Unemployment across Sub-Saharan Africa (SSA) is a complex issue, and there is clearly no one solution. The main approaches can perhaps best be split into three categories.

1. **Macro-level approaches:** Improving infrastructure, universal education, or instigating structural or economic reforms to improve the ease of doing business, thereby creating more jobs.
2. **Supply-side approaches:** Addressing educational or skills deficits in unemployed people.
3. **Demand-side approaches:** Creating more jobs.

Investment in education and structural reforms are widely seen as the most effective long-term measure countries can take to create the conditions for increasing the number of decent jobs. Raising education levels and investing in developing appropriate skills are particularly important to build a workforce fit for the world's economy five or ten years from now. However, these measures inevitably take many years to impact on job creation and are often disrupted by political shifts and other instabilities.

There are also two shorter-term approaches to tackling unemployment, often referred to as supply-side and demand-side approaches.

## Supply-side approaches: Training

When it comes to tackling the immediate issue of unemployment, skills development training is the most popular intervention in SSA. This is often described as a 'supply-side' approach. It assumes that there are sufficient jobs available, if only unemployed people have the right skills to fill them.

For an individual taking part in a training programme, this does generally improve the probability of finding employment, especially if the training is aligned to the needs of employers and has an internship component.<sup>1</sup> However, in many instances this is not the case.

Focus group participants pointed out that corporates in South Africa often engage in training to qualify for points under the Black Economic Empowerment (BEE) initiative:

*Lots of corporates try to qualify and end up just recruiting anyone and claiming that they're having impact. It's not adding any value. These are very surface level programmes.*

Furthermore, even when training programmes are effective for those taking part, Louise Fox, Chief Economist of the United States Agency for International Development (USAID), strongly argues that:

*Programs trying to help youth snag the few wage-earning opportunities in a situation of excess supply do not create economic growth or more employment opportunities, but simply redistribute existing opportunities.*

In other words, even successful outcomes on training programmes are only successful for the participants themselves. The jobs they get would otherwise have gone to someone else, so there is little overall impact on levels of unemployment. In her review of the impact of youth employment programmes, Fox concluded that the evidence 'casts serious doubt on the efficacy and value of training interventions to help youth enter formal wage employment'.<sup>2</sup>

As the Institute for Development Studies argues:

*The supply-driven approach of many programmes does not work because it is mainly structural problems, rather than individual shortcomings, that prevent young people from finding jobs.*

In most of SSA, there are simply not enough jobs, and certainly not enough decent jobs.

**Where supply-side approaches can be more effective is in developing the knowledge and skills of farmers and small businesses owners. This can help increase productivity and efficiency, raising income levels and in some cases creating new job opportunities for others.** In this way it overlaps with the demand-side approaches covered in the next chapter.

1. [https://assets.publishing.service.gov.uk/media/5af9721ded915d0ddfb0964f/Lessons\\_Learned\\_from\\_Youth\\_Employment\\_Programmes.pdf](https://assets.publishing.service.gov.uk/media/5af9721ded915d0ddfb0964f/Lessons_Learned_from_Youth_Employment_Programmes.pdf)  
 2. <http://documents.worldbank.org/curated/en/837861530219586540/pdf/WPS8500.pdf>



## Demand-side approaches: Job creation

Demand-side approaches consider the overall lack of jobs in relation to the rapidly growing population.<sup>3</sup> There does now appear to be a growing interest in addressing unemployment by stimulating job creation. Once again, however, there is no single solution. Different contexts require different approaches.

One approach is to support existing businesses to become more efficient and profitable. The World Bank, for example, proposes a jobs strategy that pays particular attention to rural development, and in particular investment in agriculture.<sup>4</sup>

*For the next two decades, household enterprises and agriculture will continue to play a major role in the sub-Saharan Africa region. Today, they generally provide unstable and low earnings, and no or limited access to social protection. The challenge is to make family farms, informal off-farm activities and household enterprises more productive and profitable in order to enhance job quality and create more employment opportunities.<sup>5</sup>*

**Bruno Losch, Lead Political Economist, CIRAD<sup>6</sup>**

The Brookings Institution encourages a focus on manufacturing, because it is 'the industrial sector which is most closely associated with employment-intensive growth'.<sup>7</sup>

Small- and medium-sized enterprises (SMEs) account for half to two-thirds of jobs in developing countries, and many programmes are shifting to support this sector to create jobs. Other interventions focus on larger firms, who are also more likely to create jobs with the help of credit programmes, or business development support.<sup>8</sup>

**As well as improving the productivity and efficiency of existing farms and businesses, supporting entrepreneurship and the growth of new businesses is equally important.**

Many young people in SSA see entrepreneurs as the drivers of job creation.<sup>9</sup> Asking governments and international organisations to focus their efforts on supporting entrepreneurship was the most frequent recommendation in our survey, mentioned by 20 per cent of respondents, ahead of business, education and training.

*If you ask me where the solution for employment is, I will answer you. Entrepreneurship.*

**Service Civique d'Action pour l'Emploi et le Développement (SCAED), Côte d'Ivoire**

A focus on entrepreneurship was also part of the conclusion of Louise Fox's report:

*There is a case for interventions that speed the transition to self-employment in farming or non-farm household enterprises.<sup>10</sup>*

## Public works programmes

Another demand-side intervention that is worth mentioning are public works programmes (PWP). These are government initiatives where the government directly pays the wages of unemployed people (either in cash or through provision of food or vouchers) in return for the provision of labour.

An Overseas Development Institute (ODI) report from 2009<sup>11</sup> reported 167 PWPs operating in SSA. Eighty-three per cent of these were donor funded. Other PWPs take a longer-term view. For example, the programme in South Africa claims to have created more than eight million job opportunities since it was launched in 2003.

Empirical evidence suggests that, while providing a vital short-term safety net,<sup>12</sup> PWPs are not effective at addressing unemployment in the longer-term.<sup>13</sup>

*Consistently, none of the evaluations provides robust empirical evidence that a PWP of any type generates sustainable extra employment over and above the public works employment, neither in the medium nor in the long term.<sup>14</sup>*

3. <https://assets.publishing.service.gov.uk/media/5c77df70e5274a0ec5100a31/BERF-Youth-Labour-Markets-Research-Sept-2017.pdf>

4. <https://blogs.worldbank.org/jobs/africa-more-not-fewer-people-will-work-agriculture>

5. [https://www.ilo.org/global/about-the-ilo/newsroom/features/WCMS\\_570043/lang-en/index.htm](https://www.ilo.org/global/about-the-ilo/newsroom/features/WCMS_570043/lang-en/index.htm)

6. Centre de Coopération Internationale en Recherche Agronomique pour le Développement.

7. <https://www.brookings.edu/research/exploring-new-sources-of-large-scale-job-creation-the-potential-role-of-industries-without-smokestacks/>

8. [https://assets.publishing.service.gov.uk/media/5af9721ded915d0ddfb0964f/Lessons\\_Learned\\_from\\_Youth\\_Employment\\_Programmes.pdf](https://assets.publishing.service.gov.uk/media/5af9721ded915d0ddfb0964f/Lessons_Learned_from_Youth_Employment_Programmes.pdf)

9. <https://www.forbes.com/sites/forbesinsights/2015/09/29/sub-saharan-africa-looks-to-entrepreneurs-for-job-growth-2/#232ffc027de1>

10. <http://documents.worldbank.org/curated/en/837861530219586540/pdf/WPS8500.pdf>

11. <https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/5764.pdf>

12. <http://documents.worldbank.org/curated/en/289871468339050938/Public-works-as-a-safety-net-design-evidence-and-implementation>

13. <https://gsdrc.org/topic-guides/social-protection/global-issues-and-debates-2/public-works-programmes/>

14. [https://socialprotection.org/sites/default/files/publications\\_files/GIZ%20-%20Policy%20Brief%20-%20Do%20Public%20Works%20Programmes%20Work.pdf](https://socialprotection.org/sites/default/files/publications_files/GIZ%20-%20Policy%20Brief%20-%20Do%20Public%20Works%20Programmes%20Work.pdf)

## Summary

Investment in education is widely seen as one of the most effective long-term measures countries can take to create the conditions for increasing the number of decent jobs. There are also two shorter-term approaches to tackling unemployment: supply-side and demand-side approaches.

Supply-side approaches involve training and upskilling unemployed people to make them more employable. While this is the most common approach in SSA, evidence suggests it is ineffective at tackling unemployment, simply redistributing the same jobs to a different group of people. The exception is when the training is in entrepreneurship, or supporting farmers to be more productive, when it tips over into a demand-side approach.

Demand-side approaches focus on creating new jobs. Support for entrepreneurship, enabling people to create new businesses, is probably the most effective tool, especially when combined with support to grow existing businesses. But it is important that entrepreneurship

support does not simply create an over-supply of copycat businesses, spreading a finite market more thinly among a larger group of self-employed people.

Social enterprises are involved in delivering both supply- and demand-side approaches. So too are governments, international development organisations and the private sector. At present, there is a lack of monitoring and evaluation data across a lot of programmes designed to tackle unemployment in SSA, so comparisons of their relative efficacy is difficult.

*Training is a common approach to tackling unemployment. This is delivered by governments, third party providers and also by banks in order to increase the repayment rate on their business loans. There is little or no monitoring and evaluation to see whether this training is effective. And, for example, the Youth Fund in Kenya provides money to young people to start businesses. No one knows if it is effective.*

**Victor Konde, International Labour Organization**

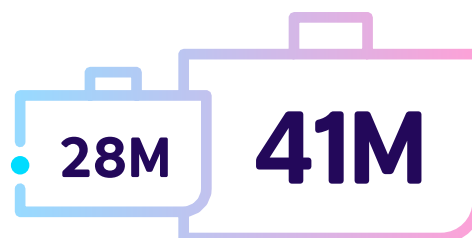
## The role of social enterprise in job creation

This research (see Appendix 3 for methodology) set out to understand to what extent social enterprises are playing a role in job creation in SSA, and whether this role could be more effective. It shows that social enterprises are indeed playing a significant role. They do this in three main ways.

1. Some **social enterprises provide education**, running schools, or working with young people to give them the skills they need to gain and create decent jobs. Others provide training, particularly supporting vulnerable and marginalised people into work.<sup>15</sup>
2. Almost all **social enterprises create jobs** themselves, providing employment or self-employment opportunities, often for people that might otherwise be excluded from the labour market and often on a fairer basis than profit-first businesses.
3. Many **social enterprises also support entrepreneurship** either by:
  - a. enabling others to start enterprises, whether social or profit-first, which in turn create jobs
  - b. supporting existing businesses, including smallholder farmers, to increase the quality and quantity of jobs they provide.

The following chapters look at the impact social enterprises in SSA are having in each of these areas.

## Social enterprises create jobs



Using the best available data, the estimate for the number of jobs directly created by social enterprises in Sub-Saharan Africa (SSA) ranges from **28 million to upwards of 41 million**.

**Over 49%**  
of social enterprises in our survey said that if they did not employ them, their workforce would either be unemployed or working elsewhere in worse conditions and for less pay.

15. The report uses various terms to point to the exclusion and risk of exclusion of particular groups from the labour market and society as a whole. This may be on the basis of gender, age, socio-economic background, ethnicity, sexuality, domestic violence or other factors that mean people are more likely to face challenges in accessing work and other basic rights. For the most part we use 'underserved' or 'marginalised'.

## 4

# Social enterprise schools

As already noted, education is widely seen as the most effective long-term measure to increase the number of decent jobs, building a more sustainable, higher value economy for the future. Effective education – whether at primary, secondary or tertiary levels – is crucial to enable young people to find or create decent jobs. And social enterprise is playing an increasingly important role at all three levels.<sup>1</sup>

Enrolment in basic education is increasing across Sub-Saharan Africa (SSA). For example, in Côte d'Ivoire, primary enrolment rose from 84 per cent in 2013 to 99.8 per cent in 2019. However, in some countries even the level of primary school enrolment is still fairly low, with Nigeria on 85 per cent and Sudan on 84 per cent.

And, as Bruno Losch, Lead Political Economist at CIRAD,<sup>2</sup> says:

*Most countries in Sub-Saharan Africa are clearly lagging for secondary education. In East and South-East Asian countries, for example, 70 to 80 per cent of 15 to 24 year-olds have completed lower secondary school, while the proportion is around 20 to 35 per cent in Sub-Saharan Africa. And the situation is even worse in rural areas, which remain the most populated in Africa.*

In many countries in Africa, public education struggles to keep up with the demand of a growing population: the quality can be inconsistent, and access limited, especially in poor and rural areas. Low-fee private schools are a rapidly growing model. Some of these are for-profit, some not-for-profit. The vast majority would fall under the definition of social enterprise employed in this study. Of the 64 schools responding to our survey, only one was profit-focused, the others were all socially focused, or balancing social impact and profit. They employ an average of 56 full-time staff, 65 per cent of whom are women.<sup>3</sup>

In Ghana, it's estimated that one-third of schools are low-fee private schools. The model is also booming in Nigeria and Kenya, as private companies and non-profit organisations start their own schools.<sup>4</sup>

Low-fee private schools are in particular demand in fast-growing informal settlements and developments. For example, Masibambane College in Orange Farm, an informal settlement south of Johannesburg, is an Anglican church-based school serving more than 1,000 students in the low-income community, and charges tuition of \$500 to \$850 per year.<sup>5</sup>

An independent piece of research carried out for the Department for International Development (DFID) in 2014<sup>6</sup> concluded that these social enterprise school models were having a positive impact on education in SSA. In particular, there was strong evidence that:

*Teaching is better in private schools than in state schools, in terms of higher levels of teacher presence and teaching activity, as well as teaching approaches that are more likely to lead to improved learning outcomes.*

The report also concluded that 'the cost of education delivery is lower in private schools than state schools'. However, this is 'often due to lower salaries for private school teachers compared with their government school counterparts'. **So while the education outcomes may be good, the jobs created for teachers may, in some cases, be less well paid than the public sector.**

Not all these schools are reaching the poorest, however. 'There is moderate strength evidence that private schools tend to be more expensive than state schools in terms of both school fees and hidden costs such as uniforms and books.' And 'evidence on whether private schools are equally accessed by boys and girls is inconsistent'. Clearly, if social enterprise is going to deliver high-quality education for those who most need it, these are concerns that will need to be properly investigated and addressed.

Even when low-fee private schools are not reaching the poorest directly, there is still an argument that some of Africa's poorest children are benefiting indirectly. Low-fee schools reduce the demand on the public education system, which means more public education resource can be spent on those who are not able to access the low-fee private schools. Also, across much of SSA, there is a lack of

1. The role of universities in building knowledge and skills around social entrepreneurship in SSA is not explored here but is worth further inquiry. For example, there is evidence of universities embedding related themes in many of their programmes and exploring options for hosting incubators focused on social entrepreneurship.

2. Centre de Coopération Internationale en Recherche Agronomique pour le Développement.

3. Average ignoring ten per cent outliers.

4. <https://www.voanews.com/africa/low-fee-private-schools-rise-africa>

5. *Ibid.*

6. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/439702/private-schools-full-report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/439702/private-schools-full-report.pdf)

trust in government, tax systems are inefficient, and 38 per cent of GDP is generated through the informal economy and therefore untaxed. In this context, low-fee private schools provide an alternative mechanism for parents to contribute directly towards their children's education, and to have greater control over its quality.<sup>7</sup>

### **The Creative Minds International Academy<sup>8</sup>**

Dr Emmanuel Ivorgba founded a small charitable school for the poorest children in the conflict-torn Nigerian city of Jos. The Creative Minds International Academy was established as a charity in 2007. It had a clear mission to make sure that children frozen out of education – pupils from poor families or displaced by decades of war – could go to school, breaking the cycle of poverty and hunger. The academy is now a social enterprise, showcasing a new model for providing affordable education. Pupils learn about leadership alongside traditional classes.

Ivorgba worked as a teacher for a decade, including as a school principal. He founded the academy and by 2013 sought to remodel the school to be able to scale and become sustainable. Though the idea of social enterprise is very new in Nigeria, and was almost unheard of then, the school accessed international support and resources and pursued a path that would enable it to become a centre of excellence and share its learning with others.

The school is now entirely supported by revenues from an affordable price and payment structure. Now that primary and secondary levels have been developed, the leadership is focused on developing a polytechnic college based on social entrepreneurship principles in the curriculum and business model. It is hoped that this will make greater profits to invest in and fund ambitious plans to further improve quality. Then it is hoped that the model can be replicated by other principals, in partnership with their communities, through direct support and social franchising.

## **Entrepreneurship education**

Even with an increasingly educated population, there is a fundamental question about whether the education on offer is really equipping Africa's young people with the knowledge and skills they need to get and create decent work. This was raised by focus group participants in Kenya and Côte d'Ivoire:

*Education in Kenya does not equip people for the work place, it discourages free thinking and entrepreneurship. This is what needs to be tackled if youth unemployment is to be tackled.*

**NGO, Kenya**

Historically, Africa's formal education system has been heavily influenced by the colonial era, and therefore, methods emerging from 19th-century Europe. African

countries in the 21st century provide a very different context, and the skills needed by their young people are therefore quite different too.

Current education systems are certainly not giving young people the skills they need. Many of the most educated young people in SSA are unemployed. In Senegal, 20 per cent of the labour force with advanced education are unemployed, and in Cameroon that figure is 21 per cent.<sup>9</sup> Young people with more education are less likely to create their own job in self-employment. And in many countries young people with the lowest levels of education are the least likely to be unemployed. (However, those with less education are also more likely to be have jobs that are poor quality, insecure and with low wages.<sup>10</sup>)

The Global Entrepreneurship Monitor, an annual global study, highlights entrepreneurship education in primary and secondary schools as the biggest weakness in the entrepreneurship ecosystem. Research on behalf of the UN into the potential for incubators to create jobs in SSA also recommends a focus on entrepreneurial education:

*Learning how to think like an entrepreneur can be a powerful instrument to counteract youth unemployment and a negative outlook on the future.<sup>11</sup>*

**There is a strong argument that social entrepreneurship education could provide a framework to develop the skills and understanding to create fulfilling livelihoods in the 21st century.<sup>12</sup>**

Like the Creative Minds International Academy described in the case study above, some social enterprises are already introducing entrepreneurship into schools, particularly by focusing on social entrepreneurship. Rob Taylor, Founder of the Columba Leadership Academy in South Africa, said they chose to focus specifically on social entrepreneurship for three reasons.

1. Serving a valuable social purpose is an intrinsic motivator that is often missing in profit-first business.
2. The way to solve South Africa's problems is to empower young leaders who already have lived experience of those problems.
3. The myriad social and environmental problems in South Africa are themselves business opportunities that these young people are being equipped to take.

The Social Enterprise Academy, meanwhile, initially developed its social enterprise schools programme in Scotland, working with more than 530 schools and 1,000 teachers. This programme supports children to develop their own social enterprise in school, working to solve the social and environmental problems that matter to them. The Social Enterprise Academy is now piloting the programme in South Africa, with a view to rolling it out to other hubs in SSA in the future.<sup>13</sup>

7. <https://blogs.imf.org/2017/08/08/chart-of-the-week-the-potential-for-growth-and-africas-informal-economy/>

8. The social enterprises providing case studies for this report have faced challenges as a result of Covid-19. As case studies were gathered before the pandemic, the insights presented may not provide an up-to-date account of their current situation.

9. <https://databank.worldbank.org/source/jobs#>

10. Elder, S and Koné, KS (2014) *Labour Market Transitions of Young Women and Men in Sub-Saharan Africa*. Work4Youth Publication Series No. 9, Geneva: International Labour Organization.

11. [https://www.researchgate.net/publication/334506483\\_Incubators\\_as\\_a\\_Potential\\_Tool\\_for\\_Employment\\_Creation\\_A\\_Focus\\_on\\_Sub-Saharan\\_Africa/link/5d2e7887a6fdcc2462e638e5/download](https://www.researchgate.net/publication/334506483_Incubators_as_a_Potential_Tool_for_Employment_Creation_A_Focus_on_Sub-Saharan_Africa/link/5d2e7887a6fdcc2462e638e5/download)

12. [https://www.britishcouncil.org/sites/default/files/british\\_council\\_social\\_entrepreneurship\\_in\\_education\\_web\\_final.pdf](https://www.britishcouncil.org/sites/default/files/british_council_social_entrepreneurship_in_education_web_final.pdf)

13. <https://www.socialenterprise.academy/za/social-enterprise-in-education>

Columba Leadership works with schools to train young people in ethical leadership.



### Columba Leadership

*Under-served communities pay a massive poverty premium for the services they receive. This creates business opportunities for young people equipped to solve their communities' problems.*

**Rob Taylor, CEO**

Columba Leadership is an NGO working in the public school system in South Africa. They train 15-year-olds in ethical leadership, and also train three members of staff in every school they work in. The students who receive training cascade their learning to others within the school. They form teams to tackle the problems facing the school such as poor attendance, poor academic performance, poor sanitation, poor nutrition, and bullying.

The skills the young people learn – problem solving, creative thinking and innovation, teamwork, leadership, planning and organisation, etc. – also equip them to set up and run businesses.

Columba Leadership has been able to track about 70 per cent of their 8,500 'graduates'. Of these, 76 per cent have gone into further study or employment. This is despite working with 'at-risk kids and gangsters'. They estimate a 5:1 multiplier effect with young people cascading the training to peers.

The programme is primarily funded through grants, but also through a 'shared value' model where business leaders attend the same residential as the students, receive leadership training and provide mentoring to young people. The cost is approximately 30,000 rand (£1,500) per student. They seek to exit a school after three years, leaving the staff trained to continue the programme.

### Summary

While the situation is improving, many people in SSA still lack access to basic education. Furthermore, education systems in SSA are often not providing young people with the skills and resources they need to gain and create decent jobs.

Low-fee private schools, run on a social enterprise model, can provide access to high-quality education where public education is inadequate. Other social enterprises are working within and around the education system to provide training in core skills such as coding and entrepreneurship, a theme we return to in Chapter 6.<sup>14</sup>

Making social entrepreneurship a core part of the curriculum at primary, secondary and tertiary levels could provide a framework for young people in SSA to develop the skills they need to create decent, sustainable jobs at the same time as addressing many of the continent's social and environmental problems.

14. Some social enterprises are also supporting people who face barriers to the labour market to develop the skills needed to find jobs. This aspect has not been explored in any great detail here due to the limitations of supply-side approaches explored in Section 3 but is worth noting.

## 5

# Social enterprises create jobs

The impact social enterprises are having on education in Sub-Saharan Africa (SSA) will take time to be felt in the creation of new jobs. However, social enterprises are already creating jobs themselves.

When considering the impact that social enterprises are having in this way in SSA, we need to compare with the profit-first business sector, and we need to consider three main questions:

- How many jobs are they creating?
- Who are the jobs for?
- Are they decent jobs?

## How many jobs?

Social enterprises employ significant numbers of people across SSA, in a large number of different sectors. Because there is no consistent definition of social enterprise across the region, and no officially recorded data on social enterprises, it is very difficult to estimate their number, or the number of jobs they have created.

Based on research in Botswana, Cameroon and Senegal, the Global Entrepreneurship Monitor (GEM) estimates the prevalence of people running operational social enterprises at around 3.5 per cent in SSA. This would suggest 35 million people running a social enterprise. Furthermore, 38 per cent of these social enterprises have created more than five jobs (of which 57 per cent are volunteer positions). Conservatively, that would make the number of additional paid jobs created at least 28 million (see Appendix 4 for workings).<sup>1</sup>

British Council mapping surveys put the prevalence of social enterprises considerably lower – on average 0.82 per 1,000 population. But the average number of employees is much higher at 21. This methodology, however, used very small sample sizes and only included registered businesses, which would exclude around 66 per cent of all social enterprises.<sup>2</sup> These figures would suggest

there are approximately two million social enterprises across SSA, employing in the region of 41.6 million people. (Detailed calculations are provided in Appendix 4.)

**So, using the best available data, the estimate for the number of jobs directly created by social enterprises ranges from 28 million to more than 41 million.**

## More jobs than profit-first businesses?

The lack of reliable data also makes comparisons between jobs created by social enterprises and those created by profit-first businesses very difficult. However, the data we do have suggests that **social enterprises may employ more people than profit-first businesses, on average.** This is despite the fact that many social enterprises do not employ anyone, at least initially.

From our own survey sample, 19.5 per cent of social enterprises are not yet employing anyone full-time, compared with only four per cent of profit-first businesses. This may reflect the fact that social enterprises often start as volunteer-led initiatives, whereas profit-first businesses are not usually launched<sup>3</sup> unless they can generate income for the entrepreneur. As they grow, however, it seems that social enterprises are more focused on job creation than their profit-first counterparts.

**Data from our survey suggests that only 27 per cent of profit-first businesses actively seek to create jobs compared with 78 per cent of social enterprises.**

The data we have been able to gather on social enterprises is based on a relatively small sample size. And while data on small- and medium-sized enterprises (SMEs) is more widespread and robust, significant differences between countries make generalisations about profit-first businesses in SSA difficult.

The average size of SMEs varies between 0.4 full-time equivalent (FTE) jobs in Ghana to 7.3 FTE jobs in Zimbabwe, with the overall average being 1.7 FTE jobs.<sup>4</sup>

1. <https://www.gemconsortium.org/report/gem-2015-report-on-social-entrepreneurship>

2. [https://www.ilo.org/africa/whats-new/WCMS\\_377286/lang-en/index.html](https://www.ilo.org/africa/whats-new/WCMS_377286/lang-en/index.html)

3. It is worth noting that excluding ten per cent outliers, the profit-first businesses from our sample had substantially higher annual turnover than the social enterprises (average of £102,221 for profit-first businesses compared to £6,911 for social enterprises).

4. MSME data from <https://www.smefinanceforum.org/data-sites/msme-country-indicators>

Combining data on social enterprises from six country mapping studies with data from our own survey allows us to draw conclusions based on 1,809<sup>5</sup> social enterprises across 15 countries in SSA. This gives the average size of a social enterprise that employs people as 20.6 FTE jobs. Even including social enterprises that employed no one, the average number of employees was 12.55 FTE. This is considerably larger than the average SME.

The relatively large size of social enterprises in the surveys and mapping studies is likely due, in part, to sampling bias. However, it demonstrates the huge potential of social enterprises to create jobs at scale in comparison with the private sector more broadly.

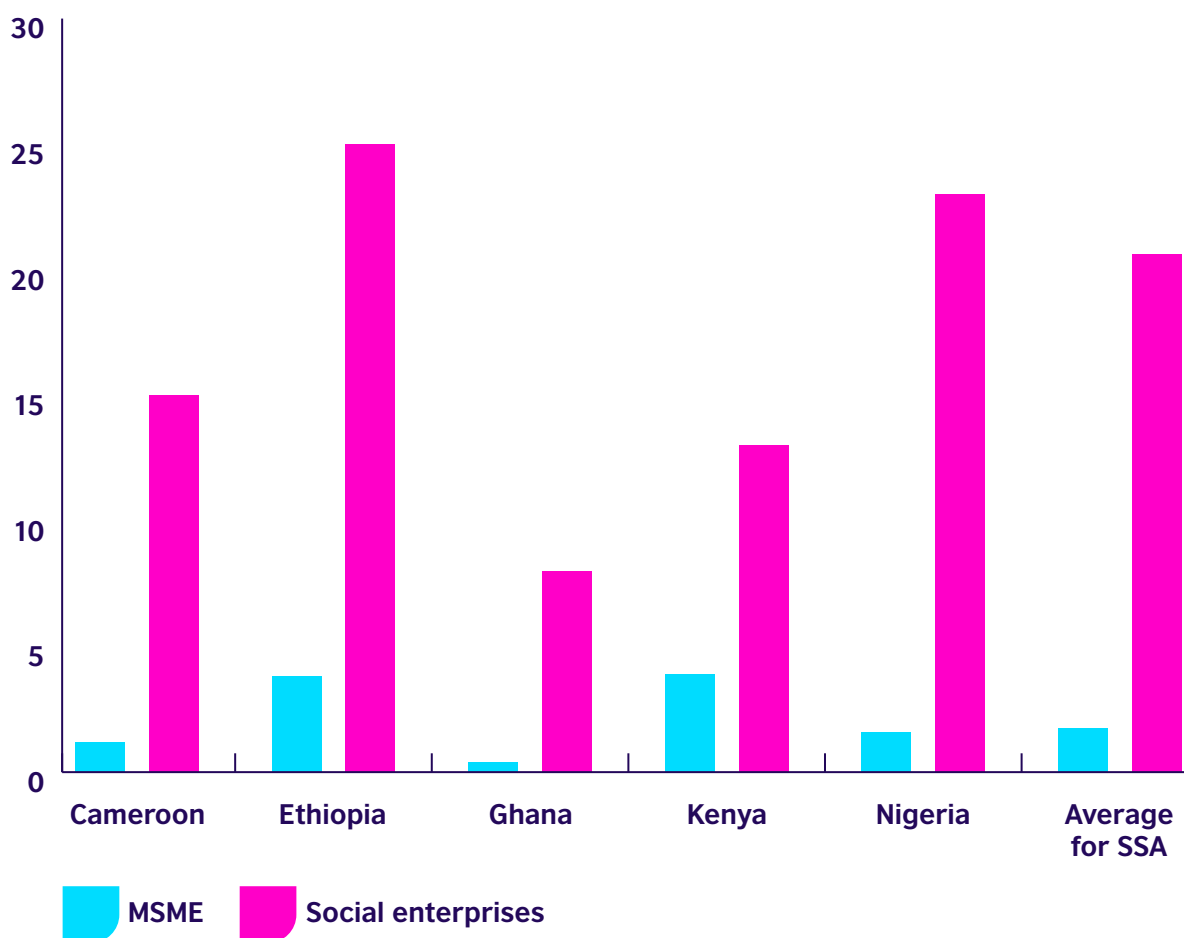
And, as can be seen from the following table, **social enterprises in our surveys employed greater numbers on average than profit-first businesses across every country where there is comparison data.**

**Looking at all countries in SSA for which there is data, SMEs employ an average of 1.7 people, while social enterprises employ an average of 20.6.**

Kawa Moka provides employment and training for marginalised women.

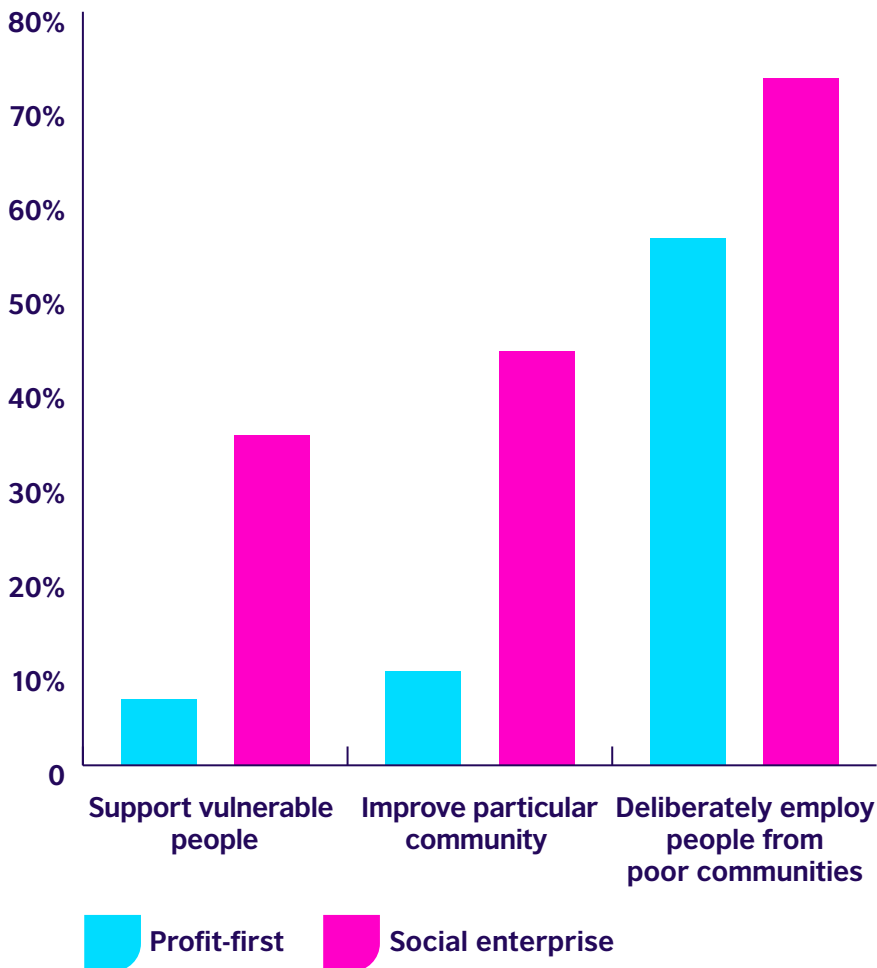


Figure 2: Average number of employees



5. Up to 104 of these social enterprises could have been surveyed twice. This would not have a significant impact on the conclusions drawn.

**Figure 3:** Percentage of businesses with a particular social aim



### Who are the jobs for?

*In South Africa the social economy is recognised for its role in job creation, but in particular for creating jobs in community – tackling urban migration.*

**Kerryn Krige, International Labour Organization**

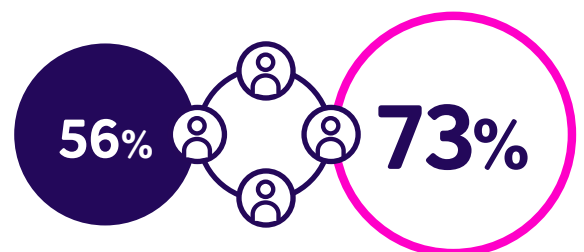
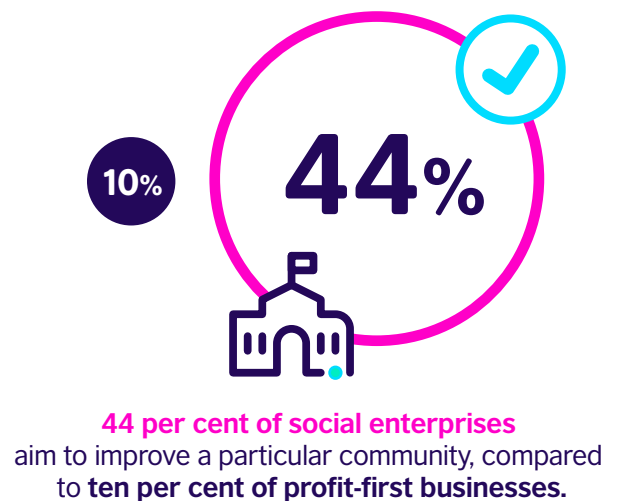
SSA doesn't just need to create more jobs, it needs to create the right jobs in the right places, and for the people who need them. Certain groups within SSA are more likely to be unemployed: young people, women, disabled people, and people from particular communities.

Another fundamental difference between social enterprises and profit-first businesses is the people they employ.

- Thirty-five per cent of social enterprises specifically aim to support vulnerable people, compared to seven per cent of profit-first businesses.
- Forty-four per cent of social enterprises aim to improve a particular community, compared to ten per cent of profit-first businesses.
- Furthermore, 73 per cent of social enterprises deliberately employ people from poor communities, compared to 56 per cent of profit-first businesses.

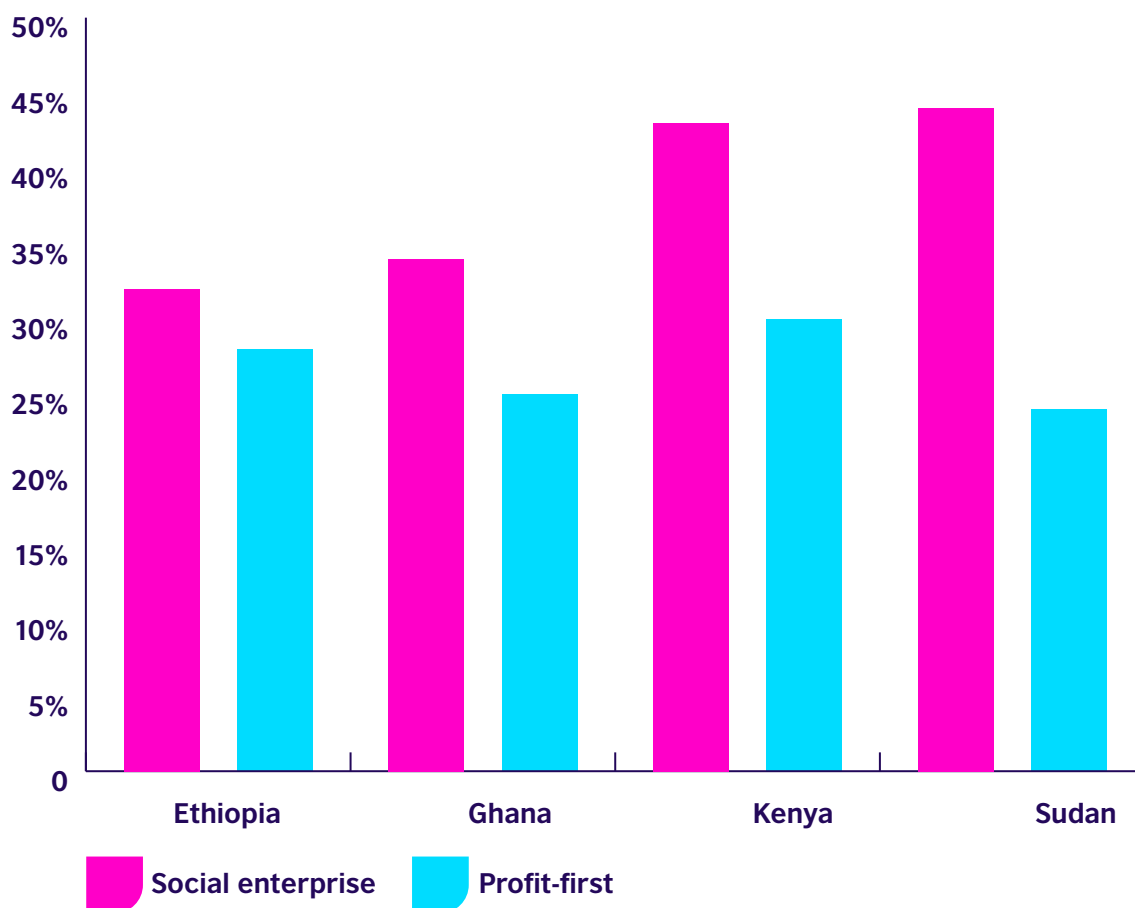
### Social enterprises are deliberately creating employment opportunities where they are needed most.

The following sections look at how social enterprises are particularly providing employment opportunities for women, disabled people and older people.





**Figure 4:** Percentage of paid employees who are women



**Social enterprises employ proportionally more women than the private sector across all countries where there is comparison data.**

27%

41%

**41 per cent of social enterprises have a woman in charge compared to only 27 per cent of profit-first businesses.**

### Women

Women are significantly more likely to be underserved by the labour market in SSA compared to men. Seventy-four per cent of women's employment (non-agricultural) is informal, in contrast with 61 per cent for men. Female vulnerable employment (typically unpaid family work) is also considerably higher (84.3 per cent) than it is for males (70.1 per cent).<sup>6</sup> Employed women also face persistent wage gaps compared to men.<sup>7</sup>

The social enterprise sector employs proportionally more women than the private sector. For example, in Ghana, 34 per cent of employees in social enterprises are women compared to only 25 per cent of employees in the private sector.<sup>8</sup>

This is true across all countries where there is comparison data.

Furthermore, many of the women employed by social enterprises are from backgrounds that put them at greater risk of marginalisation, for example through poverty or abuse, and might not otherwise find employment.

Kawa Moka provides employment and training for marginalised women. Founded by Emi-Beth Quantson, a young Ghanaian woman, this small coffee company hires women who have suffered abuse, trains them as baristas and in other positions, and then supports them into managerial positions as the company expands. The women receive a fair wage, but also develop important leadership and entrepreneurial skills that will remain valuable after their time with the organisation. Kawa Moka is also seeking to give these women leadership training and managerial skills through partnerships with the incubators where their cafés are located.<sup>9</sup>

6. [https://www.ilo.org/africa/whats-new/WCMS\\_377286/lang-en/index.htm](https://www.ilo.org/africa/whats-new/WCMS_377286/lang-en/index.htm)

7. <https://www.brookings.edu/wp-content/uploads/2016/07/01-foresight-employment-rural-urban-youth-mcarthur-1.pdf>

8. [www.enterprisesurveys.org/data/exploreconomies/2013/ghana#gender](http://www.enterprisesurveys.org/data/exploreconomies/2013/ghana#gender)

9. <https://meltwater.org/kawa-moka-comes-mest/>

And often the social enterprises themselves are tackling gender inequality. Pride Sanitary Pads, for example, tackles gender inequality in education by manufacturing affordable menstrual products. They are made from banana fibre, local cotton and paper pulp, and are fully biodegradable. Also based in Ghana, the company has created employment for ten factory workers and income for 120 female farmers in the extraction of the fibre.<sup>10</sup>

### Disabled people

In SSA statistics indicate a prevalence of disabilities of between five per cent and 17.6 per cent. That's somewhere between 50 million and 175 million people.<sup>11</sup> The majority of disabled people in SSA live in poverty. Unemployment among disabled people is as high as 80 per cent.<sup>12</sup> For those who are employed, most work in marginal, seasonal and menial jobs.<sup>13</sup>

Around eight per cent of social enterprises in SSA benefit disabled people.<sup>14</sup> Some of these directly create jobs for disabled people, such as Appropriate Paper Technology (APTERTS), a Lusaka-based organisation that produces mobility aids from recycled paper and cardboard for children with physical disabilities. APTERTS currently employs eight staff, each of whom has a disability.<sup>15</sup> The ZuluGal Retro art company is a social enterprise based in Durban, South Africa which works with young people with disabilities and special educational needs, teaching crafting skills and helping them earn a living from their work.<sup>16</sup>

### Older people

Pensioners are not included in unemployment statistics in SSA. And yet many older people still need to earn a living, without sufficient income from a state pension, or without adequate support from their family. In South Africa, for example, many struggle to live on the state pension of just £3 a day.

NOAH (Neighbourhood Old Age Homes)<sup>17</sup> takes a holistic approach to the problem. They provide affordable shared accommodation for older people and have also developed social enterprises, including a shop, a takeaway, bakeries and a clothing bank. These provide their residents with the chance to earn additional income, and contribute to a greater sense of value and self-worth. NOAH itself also operates as a social enterprise, aiming to earn 53 per cent of its income through trading by 2023.

**Over 49%**

**of social enterprises in our survey said that if they did not employ them, their workforce would either be unemployed or working elsewhere in worse conditions and for less pay.**

### Are they decent jobs?

*Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.*

#### The Universal Declaration of Human Rights (Article 25.1)

We know that social enterprises in SSA create significant numbers of jobs, and that on average they create more jobs than profit-first businesses. However, as already identified, the issue is not just sufficient jobs, but sufficient *decent jobs*.

We considered this in terms of:

- **income:** do the jobs pay above a living wage for that country?
- **security:** how much notice would an employer need to give to make you redundant?
- **personal development:** how much training do you receive in your role?

One might presume that, because 78 per cent of social enterprises specifically aim to create jobs, they would be creating better jobs than profit-first businesses. **There are, however, examples of social enterprises that are not offering good-quality jobs.** Ekw Mensah, CEO of The African Network Of Entrepreneurs (TANOE), suggests: 'Social enterprises have a lot of informal jobs that don't pay well.' A social entrepreneur running a fashion brand in southern Africa shared how her company supports rural women across the continent. However, she only pays the women the minimum wage and doesn't pay social security for workers. Similarly, a disability-focused social enterprise in Côte d'Ivoire shared how it is 'not at all protected' in terms of social security, because there is no requirement for it to be.

**There are also many examples of social enterprises that are providing decent jobs.** Soul of Africa is a social enterprise making shoes in Addis Ababa. It employs 100 people, making 150 pairs of shoes a day. The social enterprise is run by commercial shoe manufacturer Vivobarefoot, which says its profit-first factory employs far fewer people and the social enterprise offers better wages and conditions. Vivobarefoot is looking to use the social enterprise factory as a model to transform its whole supply chain.

**The results of our survey suggest that, on average, social enterprises are providing better jobs than the profit-first sector, but there is not a large difference in quality.**

10. <https://seed.uno/enterprise-profiles/recfam-pride-pads>

11. <https://www.sida.se/globalassets/sida/eng/partners/human-rights-based-approach/disability/rights-of-persons-with-disabilities-sub-saharan-africa.pdf>

12. <https://www.un.org/development/desa/disabilities/resources/factsheet-on-persons-with-disabilities.html>

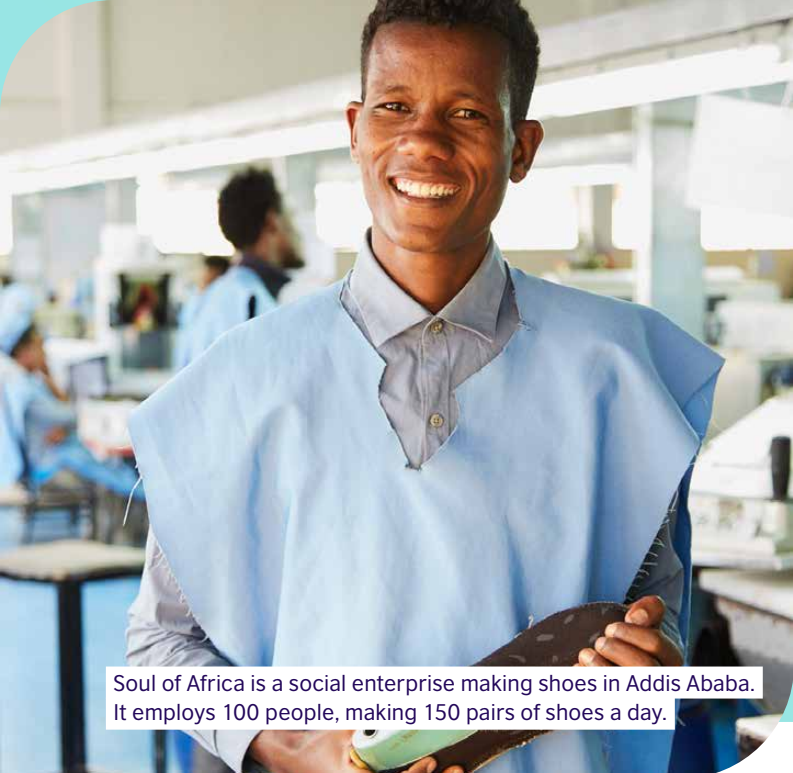
13. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5433490/>

14. British Council 'state of social enterprise' surveys in Ghana, Kenya and Ethiopia.

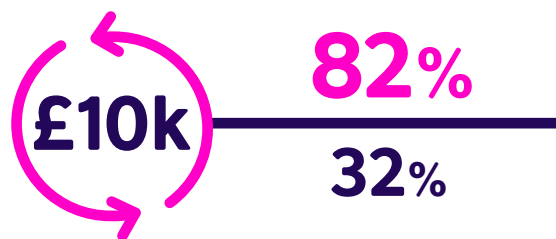
15. <https://www.facebook.com/pg/APTERS-420149774733805/about/>

16. <https://www.springwise.com/social-enterprise-sells-upcycled-accessories-artists-disability/>

17. <https://www.noah.org.za/>

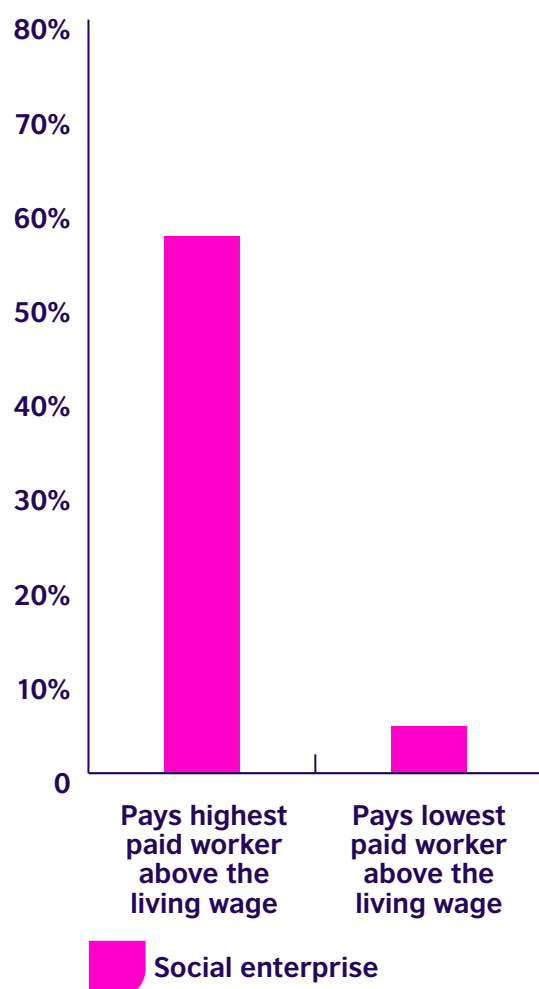


Soul of Africa is a social enterprise making shoes in Addis Ababa. It employs 100 people, making 150 pairs of shoes a day.



**82 per cent of social enterprises** with an annual turnover of more than £10,000 pay their highest paid worker above the living wage compared to **32 per cent operating below this threshold.**

**Figure 5:** Percentage of businesses that pay more than the living wage



### Income

Our research doesn't allow for useful comparison of average pay between the surveyed social enterprises and profit-first businesses,<sup>18</sup> but we can see only from the social enterprise data that there is room for improvement.

The average turnover of social enterprises in our survey<sup>19</sup> was £6,911. Most of them are small organisations. As a result many are not able to offer full-time work or pay a living wage. **Only 57 per cent of social enterprises paid their highest paid worker enough to be above the defined living wage for that country.**<sup>20</sup> **Fewer than five per cent of these social enterprise paid their lowest paid workers a living wage.** However, 82 per cent of social enterprises with an annual turnover above £10,000 paid above the living wage to their highest paid worker.

Perhaps unsurprisingly there is a correlation between the size of an organisation and the likelihood it pays the living wage. However, even among organisations with a turnover above £100,000 a year (both social enterprises and profit-first), only around a quarter pay their lowest paid worker a living wage.<sup>21</sup>

Research by the Global Entrepreneurship Monitor also suggests that:

*Although commercial entrepreneurs in this region tend to have higher household incomes than the general population, social entrepreneurs' incomes tend to be lower than or on a par with the adult population.<sup>22</sup>*

**Our research suggests that many social enterprises in SSA are not paying the minimum wage even to their highest paid workers. However, social enterprises with an annual turnover above £10,000 are much more likely to do so. Ensuring lowest paid workers receive a living wage is an additional challenge.**

18. due to the significant difference in average annual turnover between the two samples

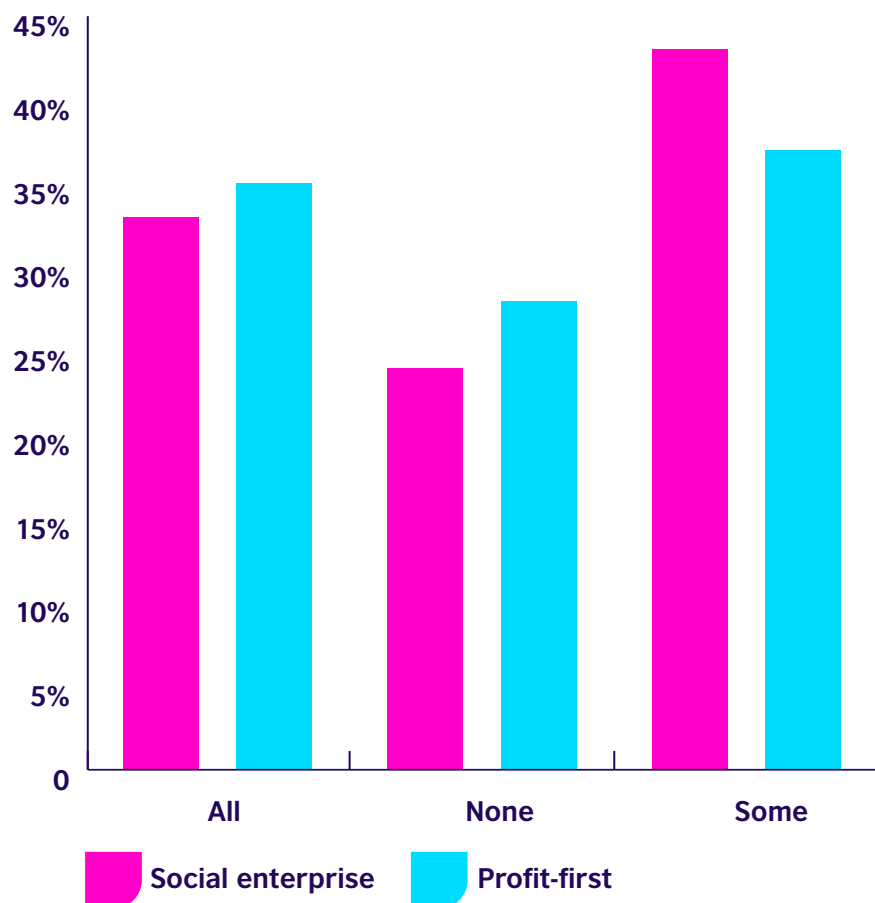
19. Excluding the ten per cent outliers.

20. <https://tradingeconomics.com/country-list/living-wage-individual>

21. Twenty-six per cent among profit-firsts, 29 per cent among social enterprises. No significant difference.

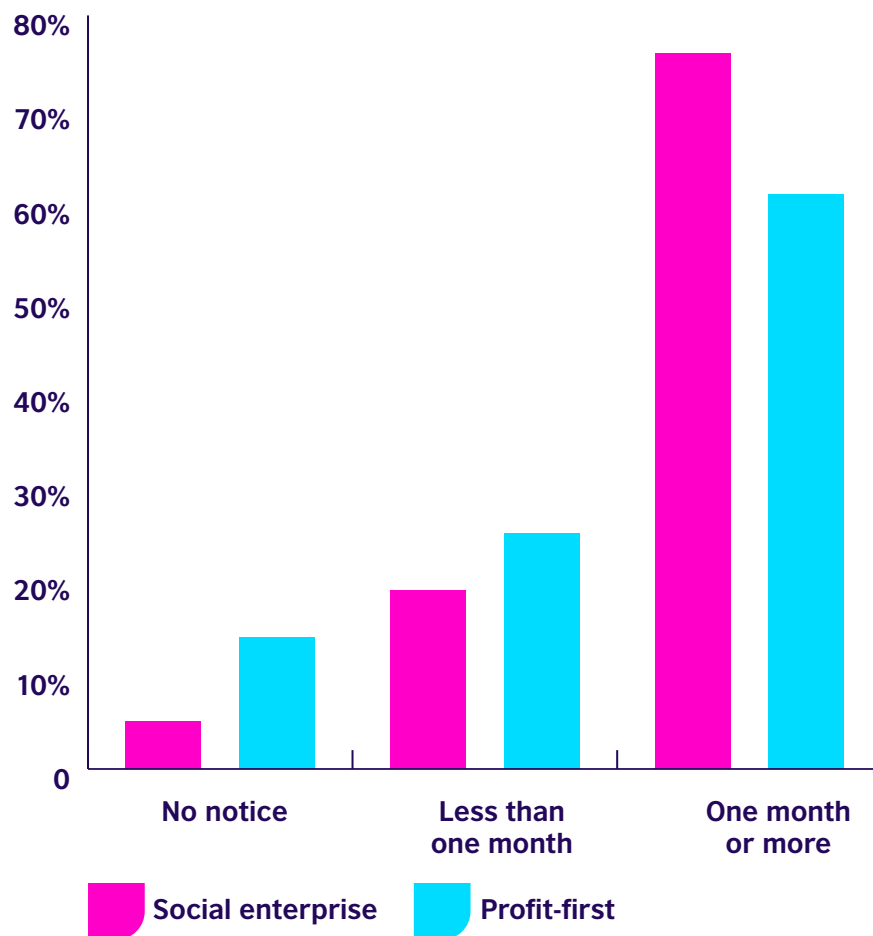
22. <https://www.gemconsortium.org/report/gem-2015-report-on-social-entrepreneurship>

Figure 6: Do your employees have contracts of employment?



Soul of Africa is a social enterprise that makes handcrafted, sustainable shoes from materials that are locally sourced in Ethiopia.

**Figure 7:** How much notice do you have to give your employees before making them redundant?



### Security

When considering job security we looked at whether or not employees had contracts of employment, and how long their notice period was.

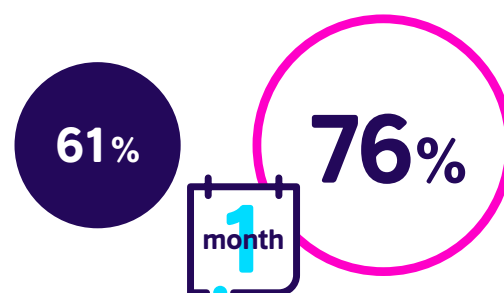
There was no significant difference between social enterprises and profit-first businesses in terms of the proportion who offered contracts of employment.

Social enterprises do give longer notice periods, on average, than profit-first businesses.

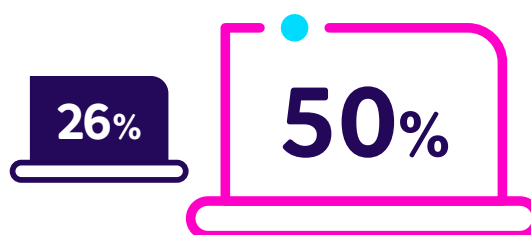
### Training

Those with a job in SSA mostly work in the informal sector with limited opportunities for training and development. And even those employed in the formal sector are largely employed by smaller-sized firms with limited resources to invest in upskilling and reskilling their employees.<sup>23</sup>

When it comes to personal development, social enterprises do have an edge over profit-first businesses. Nearly one-third of profit-first businesses offer less than a day a year in personal development training, compared to only 11 per cent of social enterprises. Meanwhile, almost half of social enterprises offer more than five days a year training, compared to a third of profit-first businesses.



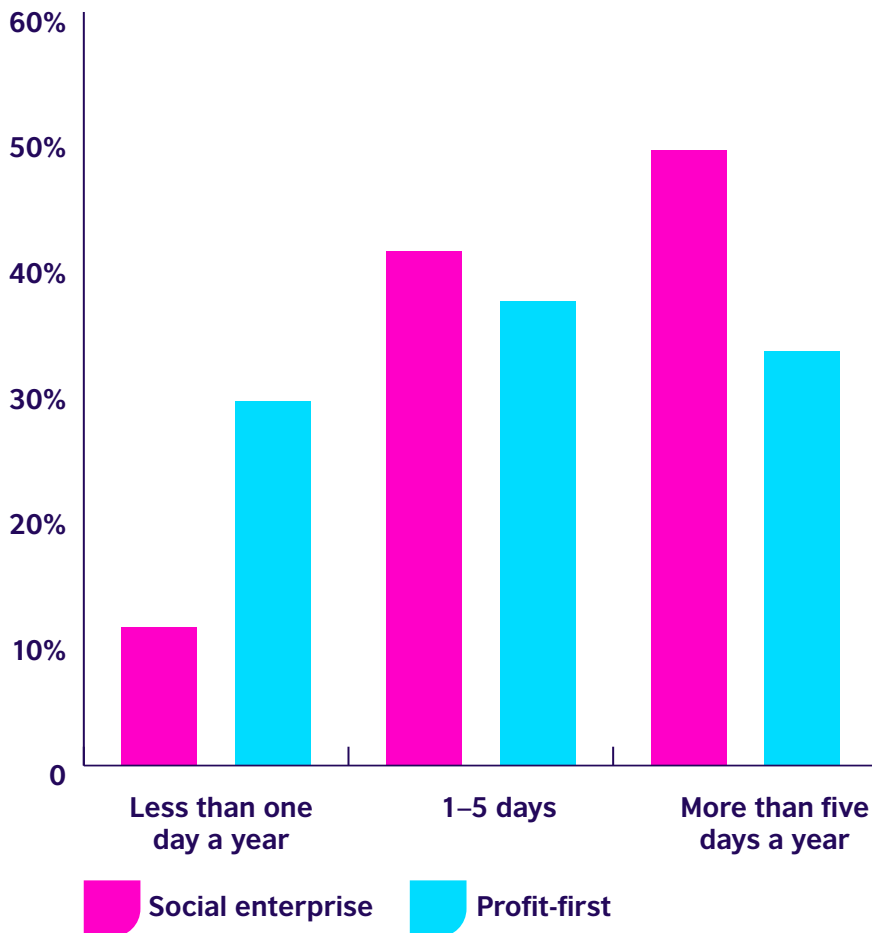
**76 per cent of social enterprises** said they would need to give at least one month's notice before making an employee redundant, compared to only **61 per cent of profit-first businesses**.



**50 per cent of social enterprises** responding to our survey say their staff receive over five days training and development a year, against only **26 per cent of profit-first businesses**.

23. [www3.weforum.org/docs/WEF\\_EGW\\_FOJ\\_Africa.pdf](http://www3.weforum.org/docs/WEF_EGW_FOJ_Africa.pdf)

Figure 8: Number of days training offered to employees a year



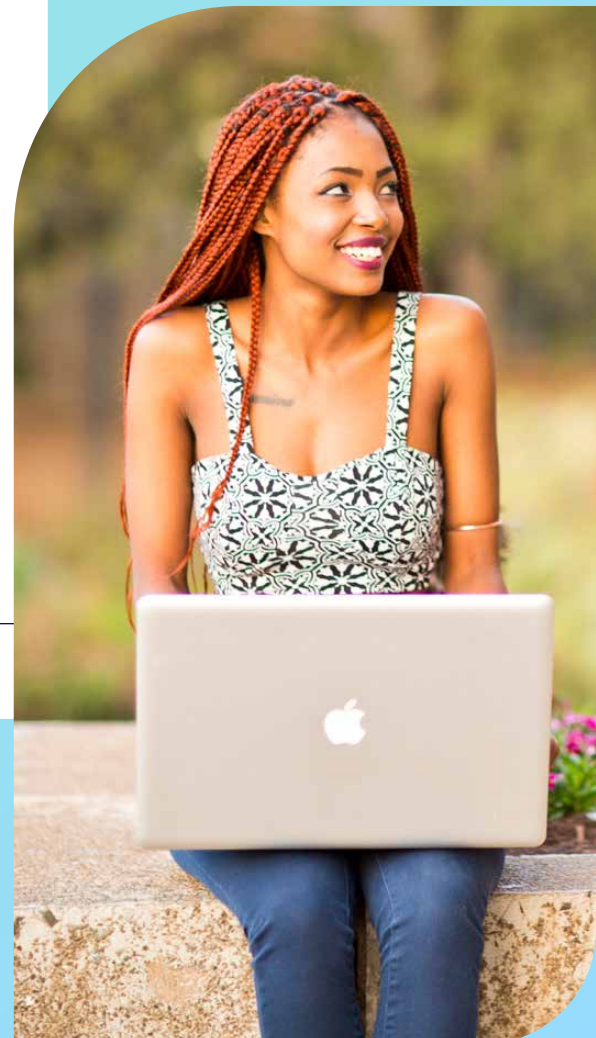
### Summary

Social enterprise can play an important role in meeting the jobs challenge in SSA. Our research suggests that they are more likely than mainstream, commercial businesses to prioritise job creation. In fact, social enterprises could already be providing full-time work for more than 41 million people in the region.<sup>24</sup>

Those social enterprises that employ people are providing work for a greater number than their profit-first counterparts. But many social enterprises are not paying the living wage, especially to their lowest paid employees. Social enterprises with an annual turnover above £10,000 are significantly more likely to be paying their highest paid workers a living wage.

**The real contribution that social enterprise makes, however, is in the people it provides jobs for.** Social enterprises are more likely to employ people from poor communities and from underserved sections of the population, and more likely to employ women. They are often developing new business models in areas or sectors where there is not yet a commercial market. And they invest more time and resources into training and upskilling their staff.

24. <https://www.gemconsortium.org/report/gem-2015-report-on-social-entrepreneurship>



## 6

# Supporting other businesses to create jobs

As well as creating jobs themselves, some social enterprises support other businesses to create jobs. We can think of the business journey from an initial idea, through its launch and early stages, and finally growth and scaling, perhaps nationally or even internationally.

Job creation relies on entrepreneurs having a business idea, the motivation and resources to launch that business, and the skills to be able to grow and develop it. While some entrepreneurs will successfully launch and grow businesses without any external support, entrepreneurship programmes, incubators and accelerators have been shown to increase the rate at which businesses are started, their sustainability and the extent to which they grow.

*If you ask me where the solution for employment is, I will answer you. Entrepreneurship.*

**Service Civique d'Action pour l'Emploi et le Développement (SCAED), Côte d'Ivoire<sup>1</sup>**

Social enterprises are involved in supporting businesses at every stage of that journey, whether they are profit-first businesses or other social enterprises.

We can think of these stages as:

- entrepreneurship
- incubation
- acceleration.

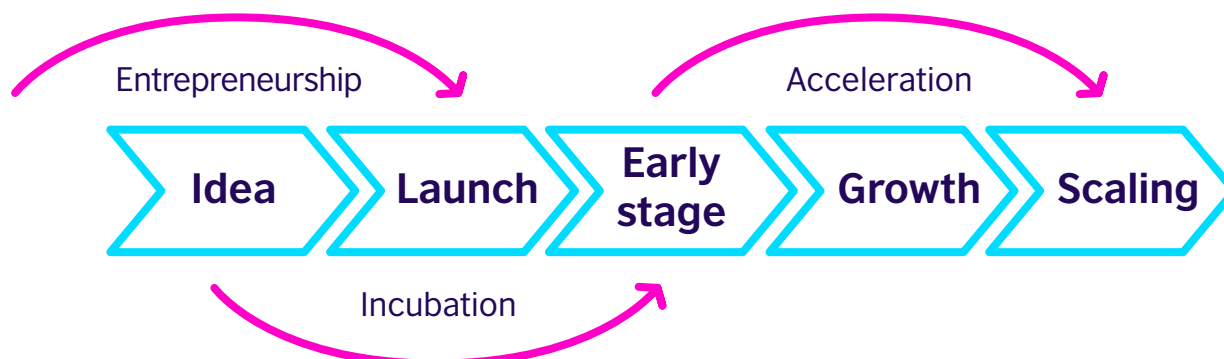
## Entrepreneurship

British Council research found that 81 per cent of young people in Tanzania and 75 per cent in South Africa wanted to start their own businesses:

*If I start my own business, it's my responsibility and no one can take that away from me ... because I will be the owner!*

Most wanted support for starting a business, and cited lack of start-up capital as the main barrier.<sup>2</sup>

**Figure 9:** The business journey



1. Civic service and action for employment and development, a government agency designed to bring the marginalised youth in Côte d'Ivoire into employment.  
2. [https://www.britishcouncil.org/sites/default/files/j147\\_next\\_generation\\_africa\\_overview\\_a4\\_final\\_web.pdf](https://www.britishcouncil.org/sites/default/files/j147_next_generation_africa_overview_a4_final_web.pdf)

As we saw in Chapter 4, some social enterprises, like the Social Enterprise Academy, are involved in delivering entrepreneurship education in schools and universities, helping young people to develop an entrepreneurial mindset. Other social enterprises support adults into self-employment or to develop their own businesses.

It is important that any support for entrepreneurship should be more ambitious than simply supporting people into copy-cat self-employment. **New businesses need to either provide products or services to an underserved market or find new markets.** For example, Tushinde supports families in the slums of Nairobi. They run business training on a shoestring budget of £10,000 a year. They have found, however, that the businesses produced by the programme are very similar. Several of the women sell second-hand clothes or make samosas. There is a danger that these new businesses simply spread the same market over more businesses, resulting in less income for other micro-businesses.

However, even these micro-businesses are having a positive impact on the lives of the women who run them:

*Before the programme, most of these women make money by sitting on a street corner in a slightly less poor neighbourhood and wait to be asked to wash someone's clothes. This is very poorly paid, very irregular, and with a very uneven balance of power. As the middle classes get dishwashers and washing machines there will be less and less work for these women.*

**Megan Wright, Tushinde Children's Trust**

Some social enterprises support individuals to develop a particular skill and then also provide a market for some of their products.

Merden Manufacturing, for example, is a social enterprise in Ethiopia, founded by two sisters. It has trained over 750 unemployed women in leatherwork and pays them on a self-employed basis to manufacture high-quality leather goods for sale, predominantly for small-scale, high-end western clients. The women are also empowered to set up their own leather manufacturing micro-businesses, making leather goods for local customers.

Love Zimbabwe is a small Fairtrade social enterprise based in Wales. It was founded by Zimbabwean Martha Musonza to provide a market for some of Zimbabwe's artists and craft producers when they lost the tourism market on which they relied for a living.

Other social enterprises support women entrepreneurs to act as a sales force. Solar Sister, for example, is a social enterprise based in Nigeria which trains and supports women to deliver clean energy directly to homes in rural African communities. It provides services and training to enable women entrepreneurs to build sustainable businesses in their own communities and supplies them with durable, affordable solar-powered products and clean stoves.

A very different example is Kaya ChildCare. Kaya is the name given to the people in Ghana who transport goods to and from markets, often in poor conditions and with minimal income. They are often migrants to the big cities, living without basic sanitation and suffering poor levels of nutrition.

Kaya ChildCare<sup>3</sup> was established to support hardworking Kayayoo mothers. The centre is designed around the life of the Kayayoo mother, enabling her to earn an income while at the same time ensuring a good start in life for her child.

Some social enterprises are empowering entrepreneurs on a potentially massive scale. For example, Souleymane Agne founded FRAISEN, a social enterprise in Senegal. Souleymane devised a method for growing strawberries in Senegal. He has trained 450 young people who had dropped out of school to become strawberry farmers. He aims to have created jobs for over 10,000 young people by 2025.

## Incubation

One approach to encourage entrepreneurship, and to increase its effectiveness at job creation, is the use of incubators and accelerators. This approach blends the supply- and demand-side approaches, building the skills and resources of entrepreneurs, enabling them to create employment for themselves and others.

The OECD defines **incubators** as a:

*Systematic way to support the establishment and growth of a new company ... that provides physical space and a number of services to start-ups, helping them through the earlier stages of their development.*<sup>4</sup>

Although not all incubators provide physical space, they do support entrepreneurs to develop their initial business idea to the point where the business is able to launch. Some also support them in the early start-up phase.

Research from the Global Accelerator Learning Initiative (GALI) shows incubators in Sub-Saharan Africa (SSA) have a positive impact on job creation. Businesses starting up with the support of an incubator produce increased revenue, create more jobs, and are able to access greater levels of start-up capital through equity investments and debt.<sup>5</sup>

A number of NGOs and government initiatives have been set up to support people to start their own businesses. Social enterprises are also playing a role here. Many of the incubators across SSA are run as social enterprises. For example, a third of the tech-focused incubators that are members of the AfriLabs network specifically mention social impact in their profile.

ECOLIA Labs in Cameroon, for example, supports young tech entrepreneurs; HapaSpace in Ghana provides start-up support and space for both profit-first businesses and social enterprises; and Wennovation Hub in Nigeria specifically supports start-ups tackling Africa's socio-economic challenges.

3. <https://www.kayachildcare.org/about-us-main>

4. <https://www.oecd.org/cfe/leed/Entrepreneurial-ecosystems.pdf>

5. <https://www.galidata.org/publications/?type=&region=sub-saharan-africa#report-list>





FRAISEN is a social enterprise whose founder has devised a method for growing strawberries in Senegal. It has trained 450 young people who had dropped out of school to become strawberry farmers.

## Acceleration

Some social enterprises work to improve the performance of established businesses. One such social enterprise is Kuza Agripreneurs.

### Kuza Agripreneurs

Kuza has designed a last-mile delivery model employing rural youth as agricultural entrepreneurs (or agripreneurs). In turn, the agripreneurs support a cohort of over 100 smallholder farmers from the local community. The agripreneur acts as a one-stop shop at the village level, ensuring that smallholders get access to good-quality information and advice, inputs, credit and market linkages. This has resulted in a significant increase in the productivity and income of the smallholders, while addressing the challenge of rural youth unemployment.

Kuza is an exemplar of south–south collaboration and development, with the programme initially developed in India and then rolled out in Kenya and Mozambique.

- Kuza has enabled 3,250 agripreneurs, supporting 525,500 farmers.
- Women make up 56 per cent of agripreneurs.
- Young people account for 74 per cent of agripreneurs.
- Between them, the agripreneurs cover 5,188 villages and 420,000 acres of farmed land.
- This has resulted in a 48 per cent increase in farmer productivity and an increase in income of 35 per cent.
- Kuza's operation has created an estimated 150,211 new jobs.

*Farmers like me have had to walk more than ten kilometres to find seeds and other farm inputs. There was no guarantee that we would find the rights seeds. Year after year, I was tired of lower yields due to poor-quality inputs. As an agribusiness adviser, I have been able to make the right inputs available to farmers in my village and around, and have been able to make an impact.*

**Jacob Muriungi, Agribusiness Adviser, Kenya**

## Fairtrade

Fairtrade co-operatives are social enterprises that are having a significant impact on rural livelihoods by increasing the productivity and income of smallholder farms, taking families out of poverty.

Most staple crop farmers in SSA produce crops at a level well below their optimum because they lack the knowledge and technology to maximise their yields.<sup>6</sup> Female farmers are at a particular disadvantage compared to their male counterparts, with smaller plots and around 40 per cent lower yield.<sup>7</sup>

Because the majority of poor people in SSA directly depend on agriculture for their livelihood, growth in agriculture has a disproportionately positive impact on poverty reduction, on average about 1.6 to three times larger than that of growth in other sectors.<sup>8</sup>

One of the most widespread social enterprise models in rural Africa is Fairtrade. Fairtrade is a certification system which allows consumers in the West to purchase products that pay a 'fair price' to producers. Fairtrade primarily works with smallholder farmers organised into co-operatives. It also works with some large organisations that hire labour on owned plantations.

**As of 2019 there were 535 Fairtrade-certified producer organisations in SSA across 32 countries. This reached 1,021,486 farmers (20 per cent women), 95,580 hired workers and approximately six million family members.**

While most of these jobs would exist without Fairtrade, Fairtrade has been shown to:

- increase productivity
- increase income
- improve education
- improve services and facilities for families and the wider community.

6. <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/743501468193449616/down-to-earth-agriculture-and-poverty-reduction-in-africa>

7. <https://blogs.worldbank.org/developmenttalk/why-are-women-farmers-sub-saharan-africa-less-productive>

8. [http://siteresources.worldbank.org/INTPOVERTY/Resources/335642-1130251872237/DownToEarth\\_final.pdf](http://siteresources.worldbank.org/INTPOVERTY/Resources/335642-1130251872237/DownToEarth_final.pdf)

Kawa Moka hires women who have suffered abuse, trains them as baristas and in other positions, and then supports them into managerial positions as the company expands.



**The impact is primarily on the quality of jobs rather than the quantity. That said, more productive family farms are able to support a larger number of family members.**

Almost £50 million was paid out as a Fairtrade Premium to Fairtrade producers in Africa in 2017. This is additional money on top of the price they receive for their produce or labour.<sup>9</sup>

This suggests that, when working well, farmers' co-operatives and Fairtrade certification can be effective social enterprise models to create decent work in rural economies.

Among smallholder farmers, Fairtrade cocoa farmers, for example, generally reported higher incomes than their non-Fairtrade counterparts.<sup>10</sup> And among paid workers on Ghanaian banana plantations, 'Fairtrade contributed to an improvement in non-wage economic benefits, especially in terms of sanitation, food and healthcare'. Furthermore workers on Fairtrade-certified plantations reported much higher levels of job security than those on non-Fairtrade plantations. And waged workers from Fairtrade-certified plantations are more food secure and have more savings than workers from non-Fairtrade-certified plantations.<sup>11</sup>

There is still room for further improvement, however. Research into Fairtrade roses in Ethiopia concluded workers were still paid below a living wage, although the 'wage gap and the share of the employees that earn below the living wage is slightly decreased if the roses are Fairtrade certified'.<sup>12</sup>

## Summary

As well as creating jobs themselves, many social enterprises are instrumental in supporting other business in SSA to create jobs. There are social enterprises supporting every stage of the business journey, from developing an entrepreneurial mindset, through business ideation and incubation, to growth and development. Some of these social enterprises focus specifically on under-represented groups, such as Merden Manufacturing, supporting women to become self-employed leather workers.

Among social enterprises working to support the development of existing businesses, Fairtrade co-operatives have a significant impact on the quality of rural jobs.

Each of these social enterprises may only be employing a small number of people directly, yet each has the potential to create hundreds of jobs through self-employment, new business start-ups and business growth.

9. [https://files.fairtrade.net/publications/2019\\_Monitoring\\_summary\\_10thEd.pdf](https://files.fairtrade.net/publications/2019_Monitoring_summary_10thEd.pdf)

10. [https://files.fairtrade.net/publications/2018\\_Ceval\\_StudyFairtradeImpactRuralDevelopment.pdf](https://files.fairtrade.net/publications/2018_Ceval_StudyFairtradeImpactRuralDevelopment.pdf)

11. <https://www.fairtrade.org.uk/~media/FairtradeUK/What%20is%20Fairtrade/Documents/Policy%20and%20Research%20documents/Impact%20reports/LEI%20banana%20report%20FINAL%20April%202016.pdf>

12. [https://trueprice.org/wp-content/uploads/2018/05/Towards\\_a\\_living\\_wage\\_v1.1-4.pdf](https://trueprice.org/wp-content/uploads/2018/05/Towards_a_living_wage_v1.1-4.pdf)



# How to support social enterprise

We have seen that social enterprises are able to create jobs, on a par with profit-first businesses, and for those who need them most. We have also seen that some social enterprises are supporting entrepreneurs to become self-employed, or to create jobs through developing new businesses or growing existing ones.

Despite the potential impact of social enterprise on job creation (and indeed on Sub-Saharan Africa's [SSA's] other social and environmental issues), there is still relatively little policy or investment to support social enterprise.

## Government policy

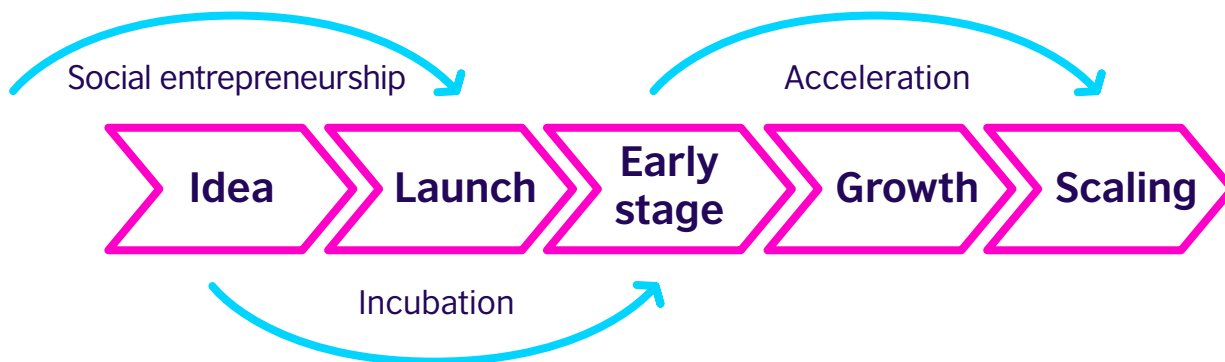
A 2017 World Bank review of social enterprise ecosystems in SSA found that only South Africa explicitly recognised social enterprises in policies or legislation and, even there, there was no common definition of social enterprise.

**Table 1:** Social enterprise policy strategy by country, taken from *Emerging Social Enterprise Ecosystems in East and South African Countries*, World Bank, 2017<sup>1</sup>

Country	Social enterprise policy strategy by country
Kenya	There is little policy recognition of social enterprises. The government is generally open toward the private sector and recognises the role of SMEs. Social enterprise-relevant legislation can be found in many policy areas, including support for the development of IT infrastructure, which has enabled many social enterprises, or government encouragement (based on Vision 2030) for start-ups and accelerator programmes (for example, c4dlab at the University of Nairobi).
Malawi	Social enterprises are not recognised 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 social enterprise 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 recognise the role of social enterprise 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 poorest sections of society at the 'bottom of the pyramid' (BoP).
Tanzania	There are no specific social enterprise 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	Social enterprises are not recognised in policies with the exception of social marketing organisations. The government is generally open to private sector engagement, but there are some concerns about privatisation.
Zambia	There are no specific social enterprise policies. The government sees service delivery to the BoP as off-limits to profit-first organisations.

1. <http://documents.worldbank.org/curated/en/418391494927850302/A-diagnosis-of-supporting-environments-and-activity-of-social-enterprises-in-Kenya-Malawi-Rwanda-South-Africa-Tanzania-Uganda-and-Zambia>

**Figure 10:** The social enterprise journey



To support and encourage its development, governments need to agree a common definition of social enterprise. This then needs to be utilised in gathering economic and social data to build up a much clearer picture of the prevalence, activity and impact of social enterprises across SSA. Policies also need to be developed that specifically encourage the development of social enterprises, either through support schemes, finance or tax breaks.

Specific programmes of support for the development and growth of social enterprise can be run in partnership with social enterprises themselves, universities, NGOs and profit-first businesses. The sections below consider existing social enterprise support programmes and their potential impact.

### Business support for social enterprise

Just like the for-profit business journey outlined at the beginning of Chapter 6, the development of new social enterprises involves a similar process (see Figure 10).

### Social entrepreneurship

As we have seen, the education system in SSA does not encourage most young people in SSA to develop the core skills needed to be a successful entrepreneur. Despite this, a 2015 study by the GEM<sup>2</sup> found 19.8 per cent of people in SSA are engaged in some form of commercial entrepreneurship – or approximately 215 million people.

While the concept of social entrepreneurship is relatively new in SSA, the practice is well established. The same GEM study also found that **5.9 per cent of people in SSA engaged in some form of social entrepreneurship – or approximately 64 million people.**

GEM estimates the gender breakdown of social entrepreneurship at 55 per cent male to 45 per cent female. This is very similar to the gender breakdown in commercial entrepreneurship: 53 per cent male to 47 per cent female.

**Social entrepreneurship therefore accounts for almost a quarter of all entrepreneurs in SSA, men and women. Despite this, social entrepreneurship is receiving virtually no attention in government policy and only tiny amounts of international investment.**

Profit-first entrepreneurs and social entrepreneurs share some common characteristics but also exhibit important differences. The primary drivers for social entrepreneurs are different from those of their profit-first counterparts. While many do want to earn a reasonable income, the overwhelming aim of most social entrepreneurs is to address a social or environmental concern or to benefit their community. British Council research into women social entrepreneurs in Ghana<sup>3</sup> found 87 per cent cited addressing a social or environmental concern as their motivation for starting their social enterprise. Fifty per cent also said providing an income for their family, having flexible work around their family, or having the best career opportunity were also important considerations.

Understanding these different motivations can enable governments and other stakeholders to engage with a broader spectrum of people when encouraging entrepreneurship.

### Social enterprise incubators

As already noted, many incubators of profit-first businesses in Africa are themselves social enterprises, with specific aims around job creation or social impact. And, despite the lack of government support for social enterprise across SSA, there are also a growing number of incubators dedicated to supporting social entrepreneurs to start and scale their ventures.

RLabs, for example, is a social innovation incubator based in South Africa.<sup>4</sup> Anza Business Incubator in Tanzania specifically aims to incubate and accelerate social enterprises.<sup>5</sup> And Blue Moon in Ethiopia works with young social entrepreneurs in the agri-sector.<sup>6</sup>

Three large-scale international organisations are worth mentioning at this point: Impact Hub, Reach for Change and the Social Enterprise Academy.

2. <https://www.gemconsortium.org/file/open?fileId=49542>

3. [https://www.britishcouncil.org/sites/default/files/activist\\_to\\_entrepreneur\\_social\\_enterprise\\_and\\_womens\\_empowerment\\_in\\_ghana\\_british\\_council\\_0.pdf](https://www.britishcouncil.org/sites/default/files/activist_to_entrepreneur_social_enterprise_and_womens_empowerment_in_ghana_british_council_0.pdf)

4. <https://rlabs.org/>

5. <https://anzaentrepreneurs.co.tz/>

6. <https://www.bluemoonethiopia.com/>

## Impact Hub

Impact Hub, itself a social enterprise, started as a co-working space and incubator for social entrepreneurs in London. It has now grown into a network of over 100 Impact Hubs worldwide, each founded by a local team. There are currently 12 Impact Hubs across SSA. Between 2012 and 2016 Impact Hub helped launch 6,400 new social enterprises globally.<sup>7</sup>

### Impact Hub Accra (Ghana)

Impact Hub Accra's goal is to support inclusive growth in Ghana through the creation of a resilient and dynamic social innovation ecosystem. It does this by developing programmes, providing workspaces and access to capital, and connecting entrepreneurs focused on creating sustainable solutions to regional challenges in employment, financial inclusion, agriculture, health and education.

Through their hackathons, pitch competitions and design thinking workshops, the hub stirs up new conversations and gets energetic entrepreneurs talking about the next big ideas. One of the most promising new ventures is its recently established health innovation programme. The programme has a vision of creating a vibrant, pan-African health innovation ecosystem and overseeing all health-related programming, including hackathons, pitch competitions and social enterprise acceleration.

### Reach for Change

Reach for Change is an international non-profit founded in Sweden. It works in 18 countries (seven in SSA), empowering local social entrepreneurs to develop and scale innovative solutions that help better the lives of children. Since 2010 Reach for Change has supported more than 1,000 social entrepreneurs. Ninety one per cent of its alumni are still in business, and seven out of ten have continued to grow.<sup>8</sup>

### Social Enterprise Academy

The Social Enterprise Academy is another social enterprise which specifically supports other social enterprises in skills development. The academy's particular niche is in learning and development, where it places an emphasis on peer learning and accreditation. This provides credibility and, critically, the building blocks for social enterprises to be able to scale. The Social Enterprise Academy was founded in Scotland, but now has hubs in four countries across SSA, launched and run by local teams. Worldwide, 93 per cent of its learners report that their organisations are able to be more adaptive to the market, and 63 per cent report a positive impact on the financial success of their organisation.<sup>9</sup>

## What makes an effective social enterprise incubator?

There is a strong need for incubators of social enterprises. At present there is very little formal support or training around how to run a social enterprise, and relatively little experience within the community. Most social entrepreneurs are therefore self-taught, often lacking essential skills such as business planning and strategy. Without appropriate support, the sustainability of those social enterprises may be limited. If support is provided, it has to be more than surface deep. A leading SME business association in Ghana commented:

*Donors just want to show numbers – that X number of social enterprises have been part of their programme. But what about the quality of the people and the training? How can you do two days of business training and feel that you've done a good enough job?*

Studies into the effectiveness of social enterprise incubators often show increased firm survival rates, faster entrepreneurial learning and increased job creation.<sup>10</sup> For example, a 2015 study into more than 2,000 social ventures in developing countries found that those who took part in incubation programmes grew revenues and employees at three times the rate of ventures that had applied unsuccessfully to the same programmes.<sup>11</sup> However, some studies also show neutral or even negative impacts, and most do not consider cost-effectiveness in their analysis.

A detailed report by Nesta<sup>12</sup> on developing social enterprise incubators in India is readily applicable to SSA. They identify the following common success factors in social enterprise incubation:

- the expertise and entrepreneurial experience of the incubator manager
- the importance of peers
- access to expert networks
- access to finance.

Our research suggests access to markets is also a crucial consideration in SSA.

Nesta also suggests that:

*Rather than starting with a predetermined model or offer, successful incubators start by identifying the needs of individual firms (or a select target group), and matching services and adapting them as those needs change.*

7. <https://impacthub.net/wp-content/uploads/2018/09/Impact-Hub-Global-Impact-Report-2018.pdf>

8. <https://reachforchange.org/static/pdf/sir-2018.pdf>

9. <https://www.socialenterprise.academy/impact>

10. [https://media.nesta.org.uk/documents/good\\_incubation\\_in\\_india\\_-\\_strategies\\_report.pdf](https://media.nesta.org.uk/documents/good_incubation_in_india_-_strategies_report.pdf)

11. [https://cdn.ymaws.com/www.andeglobal.org/resource/dynamic/blogs/20150608\\_125850\\_18855.pdf](https://cdn.ymaws.com/www.andeglobal.org/resource/dynamic/blogs/20150608_125850_18855.pdf)

12. [https://media.nesta.org.uk/documents/good\\_incubation\\_in\\_india\\_-\\_strategies\\_report.pdf](https://media.nesta.org.uk/documents/good_incubation_in_india_-_strategies_report.pdf)

For an incubator programme to work careful consideration also needs to be given to the process of recruitment and qualification process. For Roisin Fogarty, of Reach for Change, in her experience of having incubated hundreds of social enterprises, there's a certain mould of social enterprise leader that's needed for the company to be sustainable. And the incubator needs to include an emphasis on leadership and personal development:

*It's not everyone that's going to scale because not every leader can transition from running a small business to running a large one. But for those leaders who do show promise of scaling, Reach for Change offers 'capstone courses' and skills development for leaders.*

It is also vital that incubator programmes are designed with a 'gender lens'. Ventures with women on their founding teams are significantly less likely to attract equity investors. Ironically, they are also significantly more likely to be financially sustainable.<sup>13</sup> Incubators need to be aware that their systems will contain these inherent gender biases and will need to implement appropriate processes to ensure a gender balance in participants and investees.

This is particularly important as women are less likely than men to be able to access mainstream finance for a business venture, whether social or profit-first businesses. Land and wealth across SSA are predominantly owned by men. For example, 81 per cent of land and wealth in Ghana is owned by men.<sup>14</sup> This means women are far less likely to have assets that can be offered as collateral for loans.

## Comparison of the impact of social enterprise and profit-first incubators

There is very limited data to compare the impact of incubators supporting social enterprises and incubators supporting profit-first businesses.

A report for the United States Agency for International Development (USAID) suggests that profit-first businesses supported by incubators in SSA increase revenues by 68 per cent and jobs by 77 per cent in a one-year period. It also estimates each new job costs on average \$11,918 of donor funding.<sup>15</sup>

There is evidence that social enterprise incubators in the UK can create jobs more cheaply. A recent economic analysis of the impact of the Social Enterprise and Innovation Programme (SEIP) run by the University of Bath found that it produced over 1,000 new jobs at a cost of only £1,761 of funding per job. However, we have been unable to find any research on jobs created through social enterprise incubators in Africa. Reach for Change, for example, reports its impact in survival rates and percentage of ventures growing.

If we assume that incubators supporting social enterprises and those supporting profit-first businesses are equally effective, they should also be equally effective at generating new jobs. We already know that the average social enterprise creates jobs in numbers at least on a par with profit-first businesses, and potentially more than double.<sup>16</sup> We also know that social enterprises generally provide better-quality jobs, and particularly more jobs for those who are most vulnerable or excluded. Therefore it is reasonable to assume that **investing in social enterprise incubators would be a more effective approach to job creation than profit-first incubators, while in addition helping to solve some of Africa's social and environmental challenges.**

It is worth noting that while incubators of profit-first businesses can become financially sustainable, somewhere between 75 per cent and 95 per cent of incubators are dependent on public support for survival.<sup>17</sup> The need for public support is likely to be far higher in SSA. Social enterprise incubators almost always rely on grants to be sustainable.

## Summary

Despite the potential for social enterprise to create jobs in SSA, there has still been very little investment in supporting their development or growth. There is no commonly understood definition, and a World Bank review of social enterprise ecosystems in SSA found only South Africa explicitly recognised social enterprise in its policies.

And yet, social entrepreneurship, as opposed to profit-first entrepreneurship, is providing opportunities for around a quarter of all entrepreneurs in SSA: around 64 million men and women.

Notwithstanding the lack of government support for social enterprise across SSA, there are a growing number of incubators dedicated to supporting social entrepreneurs to start and scale their ventures. Evidence seems to suggest that these can be at least as effective as profit-first incubators, although there is a lack of robust data.

13. [https://cdn.ymaws.com/www.andeglobal.org/resource/dynamic/blogs/20150608\\_125850\\_18855.pdf](https://cdn.ymaws.com/www.andeglobal.org/resource/dynamic/blogs/20150608_125850_18855.pdf)

14. [https://www.researchgate.net/publication/257587021\\_Property\\_Rights\\_and\\_the\\_Gender\\_Distribution\\_of\\_Wealth\\_in\\_Ecuador\\_Ghana\\_and\\_India](https://www.researchgate.net/publication/257587021_Property_Rights_and_the_Gender_Distribution_of_Wealth_in_Ecuador_Ghana_and_India)

15. [https://www.usaid.gov/sites/default/files/documents/15396/PACE\\_Strategic\\_Review\\_Mar2018.pdf](https://www.usaid.gov/sites/default/files/documents/15396/PACE_Strategic_Review_Mar2018.pdf)

16. Social enterprises in this research employed 12.55 FTE, compared to 4.9 for for-profit businesses, according to World Bank data.

17. [https://rucforsk.ruc.dk/ws/portalfiles/portal/54148749/Business\\_Incubators\\_and\\_Incubatees.pdf](https://rucforsk.ruc.dk/ws/portalfiles/portal/54148749/Business_Incubators_and_Incubatees.pdf)

## Case study: The British Council's Social Enterprise programme, Ghana

The British Council's Social Enterprise programme in Ghana uses five 'levers' to create systemic change.

1. **Awareness creation:** Building understanding of social enterprise among leaders, policymakers and in the population at large.
2. **Research, policy and government engagement:** Developing an evidence base and supporting policymakers to develop appropriate social enterprise strategies, policies and legislation.
3. **Ecosystem support:** Facilitating the development of social enterprise intermediaries and infrastructure organisations.
4. **Capacity building:** Directly training social entrepreneurs and supporting the development and growth of their social enterprises.
5. **International development:** Utilising the British Council's international networks, particularly drawing on UK expertise in social enterprise.

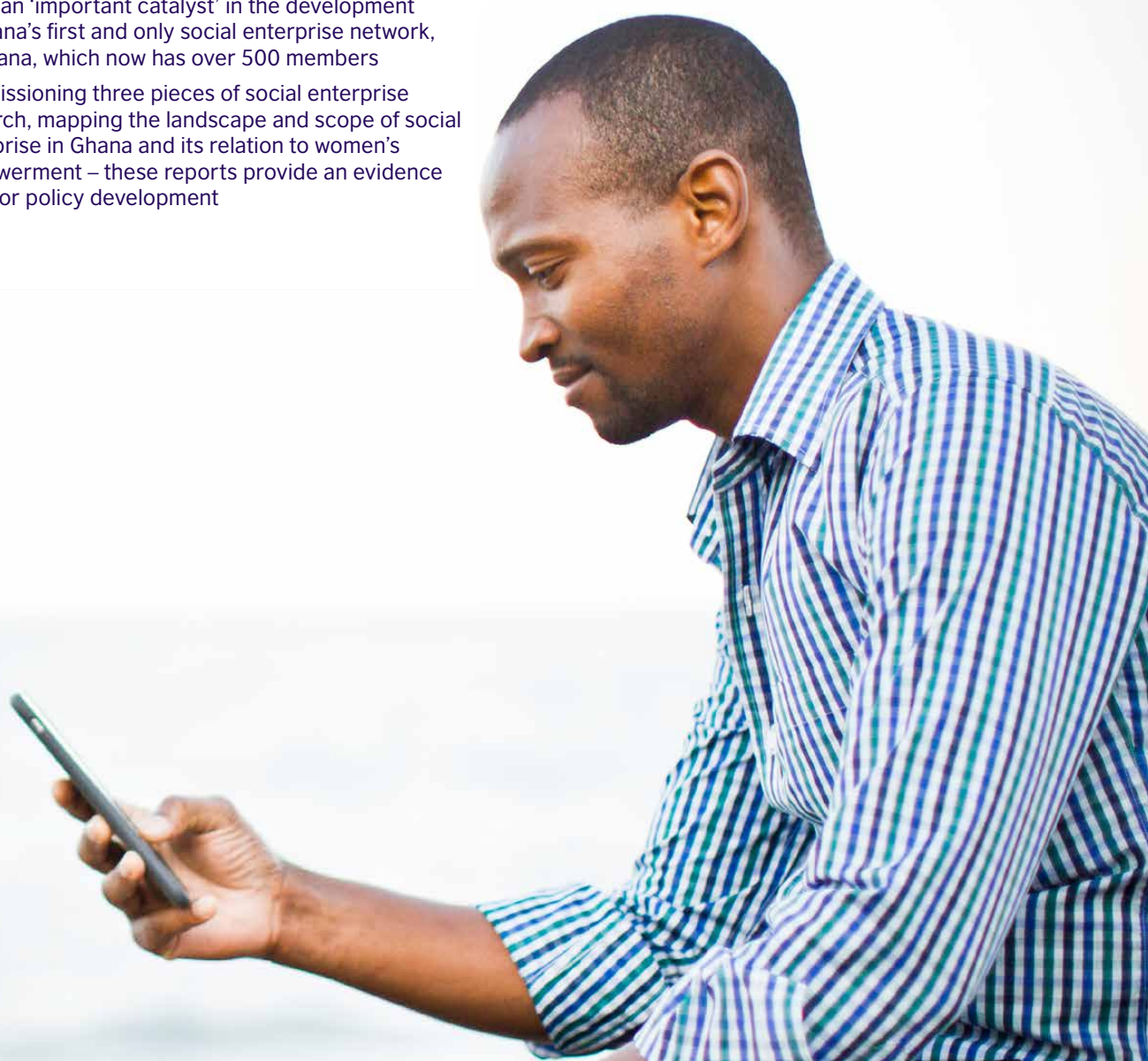
This systemic approach has had a catalytic effect on the development of social enterprise in Ghana. Highlights include:

- being an 'important catalyst' in the development of Ghana's first and only social enterprise network, SE Ghana, which now has over 500 members
- commissioning three pieces of social enterprise research, mapping the landscape and scope of social enterprise in Ghana and its relation to women's empowerment – these reports provide an evidence base for policy development

- supporting the Ministry of Trade and Industry to develop a social enterprise policy for Ghana
- directly supporting over 120 social entrepreneurs to develop their business ideas, resulting in the launch of 23 new social enterprises
- launching the social enterprise television pitch competition Duapa Challenge, reaching over two million people
- engaging over 9,000 people with social enterprise face-to-face, over 34 million through broadcast and print media, and over 98 million across SSA through social media.

The impact on programme participants has been particularly striking.

- Average knowledge of social enterprise went from 36 per cent before taking part in the programme to 68 per cent afterwards.
- Business skills increased from 46 per cent to 68 per cent.
- **The increased number of jobs in participating social enterprises reported through their survey was 148 (NET), with an average increase of 1.5 jobs per social enterprise.**



## 8

# Conclusions and recommendations

Our research has confirmed that social enterprises are already involved in tackling unemployment in Sub-Saharan Africa (SSA) to a significant extent. Social enterprises are helping to create new markets and shape existing ones. They are involved in supply-side approaches, providing training and empowering people with new knowledge and skills. And they are also creating many millions of jobs, both directly and indirectly.

Evidence across SSA on the impact of social enterprises, or indeed other approaches to job creation, is weak. However, the available data suggests that investing in social enterprise should be a significant component of government and NGO approaches to the challenge.

Social enterprises appear to employ people in numbers at least as great as profit-first businesses, and quite possibly greater. The jobs they create benefit the poorest and most vulnerable, and empower women more effectively than the profit-first sector. And the jobs are of comparable quality with the profit-first sector, often providing greater development opportunities and job security.

By creating hybrid business models, often combining grants with commercial activities, social enterprises are able to create new markets and deliver services in areas where profit-first businesses fail.

**Supporting social entrepreneurship and the growth of social enterprise should deliver sustainable jobs, more equitably distributed, while at the same time tackling some of the key social and environmental challenges facing SSA. It deserves much greater attention in government and international policy.**

## Recommendations

To maximise the potential for social enterprise to deliver sustainable job creation across SSA we have made a series of recommendations. These are divided into the following sections:

- recommendations for governments
- recommendations for international development organisations
- recommendations for universities
- recommendations for social enterprise support intermediaries
- recommendations for social enterprises themselves.





## Governments

Governments across SSA should:

- agree a more holistic measure of growth than GDP, one that considers the distribution of wealth and impacts on non-economic factors such as well-being and the environment
- implement robust evaluation and impact measurement of existing programmes to tackle unemployment, create decent jobs and support inclusive employment. Clear evidence is needed to make effective policy and investment decisions
- agree a standard definition of social enterprise, appropriate for the region. This is fundamental to allow governments to discuss social enterprise, and to design and implement appropriate policies. Governments could use the EU definition<sup>1</sup> as a starting point, but this may need to be adapted to fully reflect the reality of social enterprise in SSA
- gather data on social enterprises, alongside traditional profit-first businesses and NGOs. This would include information about their prevalence, location, constitution, focus, size, turnover, employment practices, sustainability, access to finance, impact, challenges, etc. This will allow policy to be debated and decided based on evidence
- focus efforts on improving their country's position in the 'ease of doing business' rankings.<sup>2</sup> In particular this would mean making it easier to register businesses (including social enterprises); to access appropriate finance; and to create formal jobs
- implement policies that encourage businesses to develop as social enterprises, working with the social enterprise sector to develop guidelines, including with regard to appropriate employment practices. Such policies may include tax incentives, preferential access to government contracts, fast track registration, specific business finance or support packages, or other incentives for social enterprises
- utilise social enterprise models to develop schools to provide universal access to quality education, enabling young people to obtain the skills and experience needed to improve their employment and livelihood prospects within the informal and formal sectors. These could combine a low fee structure, with quality control measures
- ensure education includes a focus on ICT and digital literacy, on entrepreneurship and innovation, and specifically on social entrepreneurship and innovation. Young people should leave education inspired and equipped to become job-creators rather than job seekers
- target more post-education training at entrepreneurship, particularly social entrepreneurship, and on improving the productivity and efficiency of SMEs and farms
- ensure businesses, including social enterprises, with low turnover are not over-burdened with tax or bureaucracy
- support processes that strengthen labour market laws and governance to encourage all employers, including social enterprises, to work within the formal sector, and to provide fair working conditions to employees
- set minimum wage policies that align with the living wage for that country<sup>3</sup> and enforce the practice across employment in all sectors, formal and informal
- introduce specific financial support for social enterprises. Eighty-two per cent of social entrepreneurs in SSA invest their own money in their enterprises, on average around 29 per cent of the required start-up. Only 38 per cent of social entrepreneurs in SSA are able to access grants or donations to support their operations<sup>4</sup>
- incentivise and support the establishment of social enterprise incubators and accelerators. This should be grounded in an understanding of what works well with accompanying measures to ensure the infrastructure and services provided by incubators and accelerators are of high quality and tailored to the specific needs of social enterprises
- set targets and monitoring to ensure at least 50 per cent of support for social entrepreneurs, including financial support, is utilised by women. This is vital to offset gender bias inherent within such systems globally
- incentivise corporates and other commercial organisations to donate a portion of their profits to support social enterprises
- work with banks to ensure that 25 per cent of their business loan portfolio is invested in social enterprises
- work with international development organisations, universities and social enterprise support programmes, incubators and accelerators to implement the recommendations below.

1. <https://ec.europa.eu/social/main.jsp?catId=952&intPagId=2914&langId=en>

2. <https://www.doingbusiness.org/en/rankings>

3. <https://wageindicator.org/salary/living-wage>

4. <https://www.gemconsortium.org/file/open?fileId=49542>

### **International development organisations**

International development organisations should:

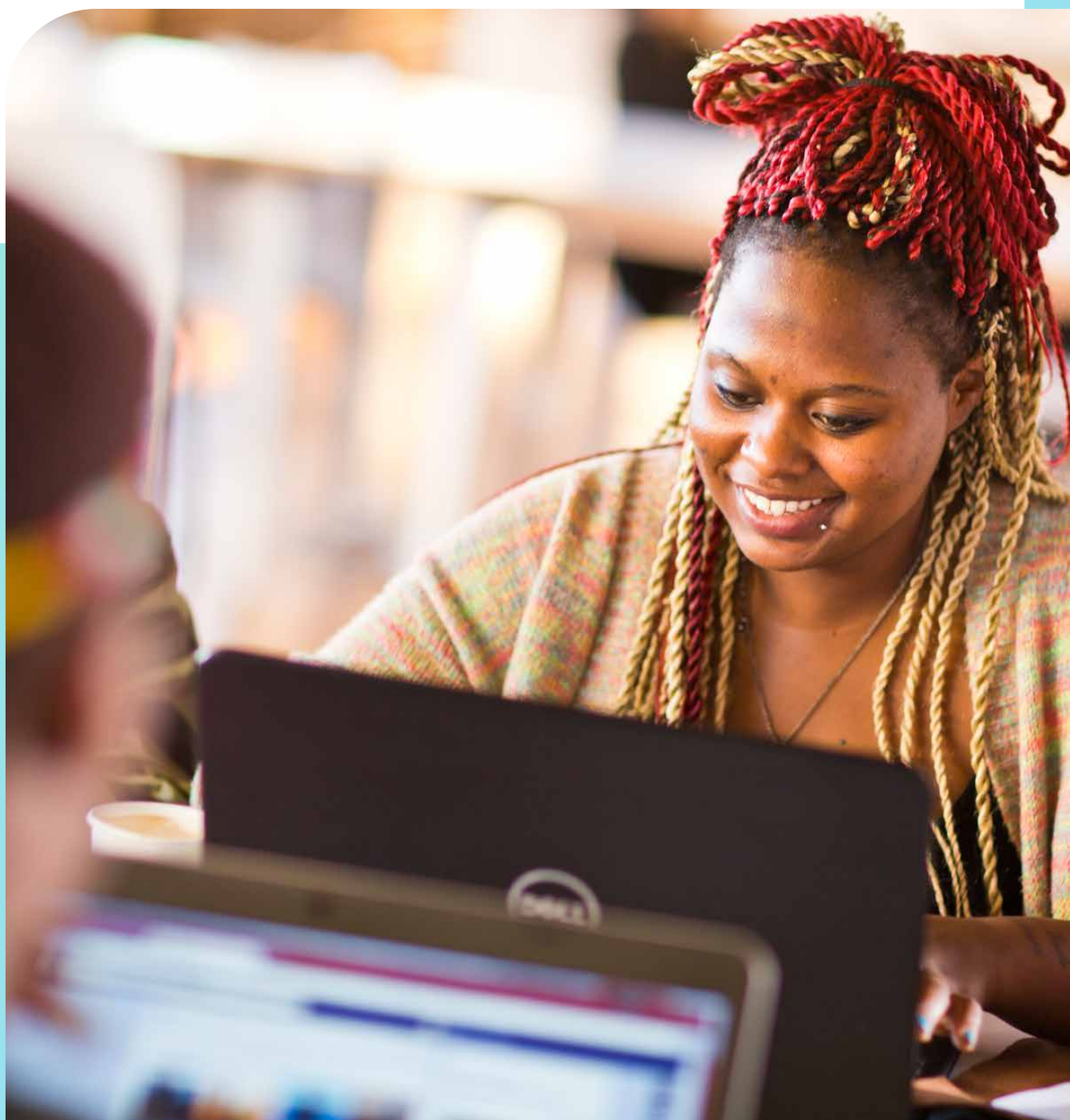
- prioritise gathering data on social enterprise and social entrepreneurship across SSA to understand the significance, impact and potential of this sector
- develop advice, guidance and development programmes with an understanding and consideration of the potential role of social enterprise in addressing the unemployment (and under-employment) gap, and other social and environmental challenges facing SSA
- work in tandem with governments, incubators and accelerators, to establish business support programmes for social enterprise
- consider the impact of social enterprise models in providing education in SSA
- consider how best to resource project-funded work, where possible replacing short-term contracts suited to internationals with capacity building and partnerships with local organisations and consultants.

### **Universities**

Social enterprise is under-researched globally, but particularly in SSA. Universities have an important role to play in gathering evidence of the role of social enterprise, in understanding the different models in operation, their efficacy and impact, and in exploring what best practice looks like in SSA.

Universities should:

- research the impact of incubators, and especially social enterprise incubators, particularly in relation to job creation
- seek to embed social entrepreneurship as a core component of all undergraduate courses, equipping their students to utilise their subject-specific knowledge to create practical solutions to Africa's challenges, and to create jobs
- consider launching or hosting social enterprise incubators and accelerators, not just for their students but for social entrepreneurs in their local area, utilising business school staff (where they exist) to support the development and growth of social enterprises.



### ***Social enterprise support programmes, incubators and accelerators***

Incubators, and other programmes working to support the development and growth of new social enterprises should:

- build their model of support around the needs of the participant social entrepreneurs
- recruit managers with expertise and hands-on experience of entrepreneurship, and invest in their personal development and training
- recruit social entrepreneurs and teams who show aptitude, problem solving abilities, and ambition for sustainable growth. Crucially these should be drawn not just from urban centres but from rural areas too
- invest sufficient time in training, development and mentoring over the long-term. Short-term courses can still be useful to raise awareness, and to identify and recruit high-potential social entrepreneurs
- ensure that the programme incorporates peer-to-peer learning and support, and builds sustainable peer networks
- make sure social entrepreneurs have access to the experts they need, and to networks that will enable them to develop and scale their social enterprise
- build consideration of scaling, inclusive job creation and decent work into incubators and accelerators at an early stage
- support social enterprises to reach a turnover of at least £10,000 a year in the shortest possible time. In SSA this appears to be the size above which paying workers a living wage becomes more possible
- ensure access to appropriate finance. This may be a mix of grants and repayable finance at different stages of business development. Ensure finance is invested using a gender and broader equality lens – guaranteeing equality of access and opportunity for women and men, and across other social strata
- ensure social enterprises consider the social impact they create through employment, alongside their primary social or environmental objective
- ensure jobs are formal and paying the living wage for that country wherever possible
- gather impact data from social enterprises that are successful in being chosen for the incubator or accelerator programme, and from those that apply but are unsuccessful. This will allow a better understanding of the impact the programme is having. Resources should be built into the programme for this, including financial incentives for responding to impact surveys

- gather impact data that includes full-time, part-time and self-employed jobs created, with details on gender of employees; wages; amount of training and personal development for employees; and whether employees are from underserved groups or communities. Other social and economic impact data should also be gathered
- ensure baseline data is gathered when social enterprises join the incubator, on leaving the incubator, and at annual intervals afterwards. Allow a reasonable budget to incentivise data collection, particularly for social enterprises that have completed the programme
- make the impact data open source so that others can learn from the results, and honest comparisons can be made between the efficacy of social enterprise and profit-first incubators with regards to job creation
- set targets to ensure at least 50 per cent of support for social entrepreneurs, including financial support, is utilised by women. This is vital to offset gender bias inherent within such systems globally.

### ***Social enterprises***

Social enterprises should work collectively to raise the standards of social enterprise in their country, and across SSA. This includes developing a collective voice with which to promote policy changes that are favourable to social enterprises.

Individually, social enterprises should ensure:

- they register formally as soon as it is sustainable to do so
- they are working to earn at least 51 per cent of their income through trading, rather than from grants
- the majority of their profit (at least 51 per cent) goes to further their social or environmental objectives
- they implement effective financial monitoring and controls
- they seek to measure and communicate their social or environmental impact
- they seek to employ people who would otherwise struggle to get a job
- they enable staff to undertake personal development and training
- they pay all their staff above the national living wage for that country wherever possible.

# Appendix 1: Technology and the fourth industrial revolution

For most of this report, we have focused on job creation in Sub-Saharan Africa (SSA) as it was before the Covid-19 pandemic. But, of course, the world was changing rapidly even before this. The fallout from Covid-19 will clearly impact upon the nature of work across SSA and beyond over the coming years, but fast-growing populations, the impact of climate change and the rapid rise of new technology will also continue to play crucial roles.<sup>1-6</sup> Here we focus on the impact of technology on work.

In developed economies, employment in some industries has been eroded, often to the detriment of communities. Historically, manufacturing has been the development escalator for low-income countries, and yet increasing automation means large supplies of cheap labour will no longer be such an incentive for companies to locate their manufacturing operations there. The impact can be more direct. In Rwanda for instance, 'tap and go' technology was adopted on buses, leading to hundreds of people becoming unemployed, as the technology replaced manual jobs.

But while technology replaces some jobs, it also makes new ones possible:

*While it is predicted that 41 per cent of all work activities in South Africa are susceptible to automation, as are 44 per cent in Ethiopia, 46 per cent in Nigeria and 52 per cent in Kenya; this is likely moderated by comparatively low labour costs and offset by new job creation.<sup>7</sup>*

The fourth industrial revolution is a way of describing the blurring of boundaries between the physical, digital and biological worlds. This includes a fusion of advances in artificial intelligence (AI), robotics, the Internet of Things (IoT), 3D printing, genetic engineering, quantum computing, energy production and other technologies. The World Economic Forum believes the transformation will be unlike anything humankind has experienced before.

At the moment, the world's poorest people are not the greatest beneficiaries of these new technologies. But the redistribution and decentralisation of power that such technologies make possible could enable communities and countries in SSA to 'leapfrog' industrialised nations and lead this global trend. Kenya is already playing a pioneering role in digital currencies, for example.

Perhaps unexpectedly, social enterprises in SSA are among the world leaders in fourth industrial revolution applications. In Nigeria, Kenya, Ghana, Rwanda and Sierra Leone, and at an earlier stage of development in Cameroon, social enterprises are leading in the design, development and delivery of a range of new technologies. They are enabling personal development through mobile learning apps, designing and operating cellular payment platforms, and producing highly sophisticated data applications tailored to the needs of SSA.

Three participants in our research demonstrate how social entrepreneurs are approaching this.

Kuza One is a smallholder farmer ecosystem management platform. Automated, using AI, IoT and Cloud technologies, it is effective because entrepreneurial agents bridge the 'last mile'. Farmers access micro-learning, micro-credit and the market, increasing their income. The social enterprise is able to operate financially sustainably, and in a way which can rapidly and efficiently scale its impact.

Mkulima Young is another social enterprise working to revolutionise farming. Using social media platforms, the internet and radio, it has reached a base of over 155,000 followers, rebranding farming as an exciting career possibility for thousands of young people. Mkulima Young focuses on regularly generating new ideas and inspiring young people to pursue economic opportunities in agribusiness through resources, information and a network of other young farmers. Mkulima Young also connects young farmers to serve as mentors and role models for each other, and provides a direct platform for them to sell their products, cutting out brokers.<sup>8</sup>

1. Akileswaran, K & Hutchinson, G, 'Adapting to the 4IR: Africa's development in the age of automation': <https://institute.global/sites/default/files/articles/Adapting-to-the-4IR-Africa-s-development-in-the-age-of-automation.pdf>
2. Common Fund for Commodities, Royal Tropical Institute & Chipsafer (2018) The Fourth Industrial Revolution: benefits and threats for commodity-dependent developing countries: [https://www.common-fund.org/wp-content/uploads/2019/07/CFC-AR-2018\\_4th-Industrial-Revolution.pdf](https://www.common-fund.org/wp-content/uploads/2019/07/CFC-AR-2018_4th-Industrial-Revolution.pdf)
3. Standard Bank, 'South Africa in the fourth industrial revolution: A new opportunity to create more jobs and a better society': <https://sponsorships.standardbank.com/CIB/About-us/Insights-Hub/South-Africa-in-the-fourth-industrial-revolution--A-new-opportunity-to-create-more-jobs-and-a-better-society>
4. World of Work in the 4th Industrial Revolution: Inclusive and Structural Transformation for a Better Africa: [https://www.g20-insights.org/policy\\_briefs/world-of-work-in-the-4th-industrial-revolution-inclusive-and-structural-transformation-for-a-better-africa/](https://www.g20-insights.org/policy_briefs/world-of-work-in-the-4th-industrial-revolution-inclusive-and-structural-transformation-for-a-better-africa/)
5. Center for Strategic and International Studies, *Beyond Technology. The Fourth Industrial Revolution in the Developing World*: <https://www.csis.org/analysis/beyond-technology-fourth-industrial-revolution-developing-world>
6. Yong, L (2019) 'Turning challenges into opportunities: Africa's industrial development in the Fourth Industrial Revolution,' Modern Diplomacy: <https://modern-diplomacy.eu/2019/09/24/turning-challenges-into-opportunities-africas-industrial-development-in-the-fourth-industrial-revolution/>
7. [www3.weforum.org/docs/WEF\\_EGW\\_FOJ\\_Africa.pdf](http://www3.weforum.org/docs/WEF_EGW_FOJ_Africa.pdf)
8. <https://www.facebook.com/mkulima.young>



Meanwhile, Framework Africa opens up other opportunities for rural communities by pursuing a vision of decentralised infrastructure development. Its model is based on empowering communities to produce heat, power and light at village level, networked with neighbouring villages. This infrastructure enables the development of new businesses, beyond the subsistence-level businesses usually found in remote rural communities. And it enables villages to provide services to local authorities and collaborate with NGOs and other development partners. The Framework Africa model is radical because it is based on open principles: open frameworks, open training and open SME models.

### Green tech

Another area of rapid technological innovation is so called 'green tech' – new technologies that combat climate change and ecological damage. The transition to a more ecologically sustainable economic model has the potential to create millions of new jobs in SSA. For example, it is estimated that by 2025 South Africa alone could create 462,000 additional jobs by 'going green', including in clean energy generation, energy efficiency, pollution control and natural resource management. Similar estimates exist for countries such as Mauritius, Namibia, Kenya, Senegal, Uganda and Zambia.<sup>9</sup>

In 2017, the developing countries outspent developed countries with an investment of \$177 billion. The green tech market is pegged at more than \$1 trillion.<sup>10</sup> And once again, social enterprises are playing an important part in this development.

Solkiosk is a clean-tech energy start-up providing solar-powered business hubs to companies based off the grid in developing countries. It is a social enterprise helping rural communities across Africa and Asia by providing sustainable energy kiosks that give access to refrigeration, water purifiers and communication technologies.

### Summary

The fourth industrial revolution means Africa's future can be about innovation rather than industrialisation. Social enterprises are already demonstrating how this can be used to create new jobs, while tackling inequality and eradicating poverty – a priority that should only increase in importance as the full impact of Covid-19 is realised. They show how the fourth industrial revolution can facilitate the transfer of power to local communities; the decentralisation of learning, innovation, production and markets. If social enterprises can access the support they need, they could change whole markets and emerge as African brands with global recognition.

9. International Labour Organization, Green jobs activities in Africa: [www.ilo.ch/global/topics/green-jobs/projects/africa/lang--en/index.htm](http://www.ilo.ch/global/topics/green-jobs/projects/africa/lang--en/index.htm)

10. <https://www.industryleadersmagazine.com/10-green-tech-startups-of-the-decade/>

# Appendix 2: Social enterprise and the informal economy in SSA

## The informal economy

*Bureaucracy and corruption in Kenya are major barriers to informal business becoming formal. There is a lack of trust in government – why pay taxes?*

### NGO, Kenya

The informal economy consists of all labour and trade that is unregulated and untaxed. This might include unlicensed street vendors and taxi drivers, for example, or labourers working on a self-employed basis and not formally employed.

In SSA, 38 per cent of GDP is generated through the informal economy and therefore untaxed. As well as reducing tax revenues, this is also problematic because informal, or unregistered, enterprises are typically characterised by low productivity, low wages and low security.<sup>1</sup>

The International Labour Organization (ILO) estimates that more than 66 per cent of total employment in SSA is in the informal sector. Women are more likely to work in the informal economy, with 74 per cent of women's (non-agricultural) employment informal in contrast to 61 per cent for men.

In reality, a polar distinction between formal and informal employment is unhelpful. A significant proportion of young people with salaried jobs do not have written contracts and many do not enjoy basic benefits. Workers frequently experience intermittent employment and reasonably frequent movements out of employment back into education or unemployment.<sup>2</sup>

The informal sector also provides crucial livelihoods to the poorest and most vulnerable people in Africa.<sup>3</sup> And it provides an opportunity for micro-businesses, including social enterprises, to start up without dealing with the cost, bureaucracy and corruption often associated with registering a formal business in many countries in SSA.

The informal sector exists largely because the bureaucracy of doing business formally is often excessive, and the costs high, particularly when corrupt officials require bribes in addition to official costs. The World Bank produces 'ease of doing business' rankings, rating 190 countries. A high ease of doing business ranking means the regulatory environment is more conducive to the starting and operation of a local firm.<sup>4</sup> Of the 49 countries in SSA, 41 of them are in the bottom half of the world rankings, and 20 are in the bottom 30.

As these factors improve, the likelihood is that the informal economy will shrink naturally. Georgia is cited as an example of a country which transformed its position on this index within eight years. However, this kind of accelerated performance is perhaps unlikely while good governance is not commonplace in the region.

In the meantime, the informal economy provides fertile ground in which social enterprises are able to support some of the poorest and most marginalised people in SSA.

## ***Social enterprises are job creators in the informal sector***

Because there are far fewer barriers to entering the informal economy than the formal economy, many social enterprises operate in this space.

The Kaya App in Ghana, for example, enables consumers to do their grocery shopping online by linking shoppers to *Kayayei* women (head porters). These are women who have migrated often from the northern parts of the country to the metropolis and who typically struggle to make a living. As Charity Ofosuhene of Muqafrik puts it: 'You don't get more underprivileged than Kaya women.'

1. [https://www.ilo.org/africa/whats-new/WCMS\\_377286/lang-en/index.html](https://www.ilo.org/africa/whats-new/WCMS_377286/lang-en/index.html)

2. <https://assets.publishing.service.gov.uk/media/5c77df70e5274a0ec5100a31/BERF-Youth-Labour-Markets-Research-Sept-2017.pdf>

3. <https://blogs.worldbank.org/africacan/understanding-the-informal-economy-in-african-cities-recent-evidence-from-greater-kampala>

4. <https://www.doingbusiness.org/en/rankings?region=sub-saharan-africa>

## The Clothing Bank

The Clothing Bank skills and supports unemployed mothers in South Africa to start retail trading micro-enterprises, training 1,000 women a year to become self-employed traders.<sup>5</sup> Its focus is on supporting women into the informal economy. There are fewer barriers to entry in the informal economy, and economic activity is much more sustainable. When they have tried setting up formal businesses, the women have been much more dependent on the Clothing Bank.

Tracey Gilmore, Founder of the Clothing Bank, sees the informal economy as a fundamental underpinning of women's economic empowerment – an opportunity for women to earn their own money, which often gets invested into their children's health and education.

The Clothing Bank operates a social enterprise model itself, but it supports women into self-employment rather than social enterprise:

*Setting up a social enterprise is a luxury. Only people who don't already have to worry about how to feed their family can afford to set up a social enterprise. For the poorest women, they need to earn an income for themselves and their families first.*

Fairtrade also actively targets poor producers in the informal economy, many of whom are women. Fairtrade offers a system of standards based on trade justice and international labour standards, including the commitment to pay a fair price or living wage. The requirement for Fairtrade producers and marketing organisations to comply with these standards is a crucial driver in improving the income and working conditions for informal workers in the Fairtrade system.<sup>6</sup>

Informal businesses usually remain small and provide relatively low incomes. Other social entrepreneurs interviewed for this research are therefore actively supporting women to access new markets, increase revenues, access micro-credit and formalise their businesses.

### Social enterprises operating in the informal economy

*Social enterprises are the largest employers in the informal sector, even though many of those businesses don't identify themselves as social enterprises.*

#### Growth Mosaic, Accra

As well as supporting others to work in the informal economy, many social enterprises are themselves operating in the informal economy. Sixteen per cent of the social enterprises responding to our survey were not formally registered as businesses or NGOs. The reality is that there are many more social enterprises operating at this micro, informal level which don't yet recognise themselves as social enterprises.

Indeed, our research suggests that social enterprises typically begin informally, particularly those which are indigenous, because of a lack of access to capital, networks and exposure to the formal economy. Yet, as they expand and become more viable, they also formalise, in particular to access financial services.<sup>7</sup>

*While the wider system is not working, you actually protect yourself and your business by remaining informal.*

#### Sudan

Some social enterprises believe that by staying informal, they are likely to be more sustainable, especially when it comes to the payment of staff and social security. Ekow Mensah, CEO of TANOE, shared that he is aware of two social enterprises turning over approximately 1.5 million USD. 'Hiring people is one of their major costs. If they formalised their workers, they would be making a lot less.'

One Africa-focused impact investor shared a similar sentiment:

*The moment you put up your signboard then you become a target: the bureaucratic and legal requirements are too onerous for small businesses, which in itself is a motivation for people to stay informal.*

Many of the barriers and disincentives to formalise are similar for social enterprises and profit-first businesses. These inhibit growth and job creation. Informal firms are less likely to grow and larger firms tend to pay better wages.<sup>8</sup>

**So the informal sector should perhaps be seen as an incubator for businesses and social enterprises, with infrastructure needed to support the growth of informal enterprises until they are resilient enough to become formal.**

### Social enterprise registration

*Social economy organisations often don't need the legitimacy that the formal economy offers – particularly when operating at a community level. They build trust through relationships instead.*

#### South Africa

5. <https://theclothingbank.org.za/>

6. <https://www.wiego.org/blog/fair-trade-movement-informal-workers>

7. As expressed by Richard Mbom, CEO of SEED in Cameroon.

8. Fox, L & Sohneson, TP (2012) Household enterprises in Sub-Saharan Africa: Why they matter for growth, jobs, and livelihoods. World Bank Policy Research Paper 6184.



Most social entrepreneurs in this research felt their organisations should be able to register specifically as social enterprises, since neither profit-first businesses nor NGOs provided the right structure. Neither are really appropriate for the social enterprise model of business for social purpose. This was seen as a barrier to organisations becoming formal, and a barrier to the growth and job creation potential of the sector.

However, while most social enterprises were keen to benefit from the reputational legitimacy that would come with formal registration, others sounded a note of caution. They raised the fact that the legitimacy of NGOs has been undermined in many countries by people registering NGOs that were not genuinely charitable in nature. In South Africa, for example, 80 per cent of registered non-profit organisations (NPOs) don't register annual accounts each year, despite it being a legal requirement. This undermines the legitimacy of the NPO number, and trust in the system.

For social enterprise registration to be effective, the process would have to be transparent and robust. It would also be more effective if accompanied by a package of support measures, whether access to finance, business support or tax incentives.

## Summary

Many social enterprises create jobs within the informal economy, where barriers to entry are lower. The informal economy can itself be seen as an incubator for both profit-first and social enterprises, with the vast majority starting informally. However, around 66 per cent remain informal. These are typically characterised by low productivity, low wages and low security.<sup>9</sup>

To create jobs that pay a living wage, organisations in SSA need to reach a turnover of around £10,000 a year. Social enterprises should therefore be supported to grow, and to formalise.

Specific registration for social enterprises may encourage more social enterprises to register. For this to be effective, the process would have to be transparent and robust and accompanied by additional incentives.

9. [https://www.ilo.org/africa/whats-new/WCMS\\_377286/lang--en/index.html](https://www.ilo.org/africa/whats-new/WCMS_377286/lang--en/index.html)



# Appendix 3: Methodology

This research involved:

- an extensive literature review
- sixty-seven key informant interviews
- focus groups in five countries with a total of 44 participants
- a survey of 1,840 social enterprises and profit-first businesses across Sub-Saharan Africa (SSA)
- analysis of data from the World Bank and the International Labour Organization (ILO).

## Countries of focus

While considering the implications for the whole of SSA, the research focuses in particular on ten diverse countries: Kenya, Ghana, Nigeria, South Africa, Ethiopia, Sudan, Botswana, Senegal, Côte d'Ivoire and Cameroon. The first seven were chosen because the British Council teams in those countries were particularly engaged in social enterprise. The final three were chosen to provide a francophone perspective to the research, and as countries where the research team already had strong networks.

## Desk research

The literature review covered the following topics linked to SSA and job creation:

- approaches to tackling unemployment and job creation
- social enterprise
- social entrepreneurship
- Fairtrade
- gender and women's empowerment
- incubators and accelerators
- technology and the fourth industrial revolution.

Initial desk research guided the development of the research framework. Further desk research mapped existing evidence on job creation and social enterprise in SSA, and highlighted gaps in existing evidence.

## Survey

A survey was developed for SMEs and social enterprises across SSA to fill some of the evidence gaps. The questions were based, where possible, on existing surveys of social enterprise carried out across SSA to allow comparison of the data.

One thousand, eight hundred and forty survey responses yielded complete data from 765 social enterprises and 176 profit-first businesses. Responses were received from 16 countries across SSA; however, more than 75 per cent of responses were from Nigeria, which skews the findings.

Where possible, this data was used in conjunction with data gathered by the British Council in mapping the social enterprise sectors in Ghana, Ethiopia, Kenya and Sudan. Together this produced data from 1,809 social enterprises, with a more even spread across more countries.

## Key informant interviews and focus groups

Key informants and focus group participants were identified through desk research, existing networks and by 'snowballing' – asking interviewees who else should be interviewed.

A complete list of interviewees and focus group participants is given in Appendix 5.

Focus groups were conducted once initial findings had been established through the desk research and survey. They were therefore used to test the validity of the initial findings, as well as investigating them more deeply.

## Additional data

Business and development data was gathered from the World Bank's open source data bank – <https://data.worldbank.org/> – and from the ILO's open source data bank – <https://ilostat.ilo.org/>

## The impact of Covid-19

As the case studies and much of the data were gathered before the Covid-19 pandemic, the insights presented do not provide the most up-to-date account of the current situation in SSA. However, we are confident that the case for social enterprise in supporting job creation has only strengthened as a result of the crisis.

# Appendix 4: Calculations

The calculations to estimate the number of FTE jobs provided by social enterprises in Sub-Saharan Africa (SSA) use the best available data. However, this data is not robust and such estimates should be treated with caution.

## GEM data calculation

The first calculation is based on research in Botswana, Cameroon and Senegal by the Global Entrepreneurship Monitor (GEM).<sup>1</sup> This data estimates the prevalence of people running operational social enterprises at around 3.5 per cent in SSA.

SSA has a population of approximately 1.08 billion.

$$1,080,000,000 \times 3.5\% = 37,800,000$$

This would suggest 37.8 million people running a social enterprise.

Thirty-eight per cent of these social enterprises have created more than five jobs.

$$37,800,000 \times 38\% = 14,364,000$$

14.4 million have created more than five jobs.

We do not know how many social enterprises have created jobs, but fewer than five. So we ignore those jobs.

We do not know how many jobs, on average, have been created by those social enterprises which have created more than five jobs. So we assume they have all created five as the most conservative figure.

$$14,364,000 \times 5 = 71,820,000 \text{ jobs}$$

However, we also know that 57 per cent of these jobs are volunteer positions, which are of no interest when considering livelihoods.

So the number of paid jobs is:

$$71,820,000 \times 43\% = 30,882,600$$

## British Council data calculation

British Council mapping surveys have been conducted in Ethiopia, Ghana, Kenya and Sudan.<sup>2</sup>

These reports put the prevalence of social enterprises considerably lower than the GEM study, as the methodology only recorded registered businesses (Table 1).

Based on this data, the estimate for the number of social enterprises in SSA is therefore:

$$(0.823/1,000) \times 1,080,000,000 = 888,840$$

However, this methodology excludes all non-registered social enterprises, which is around 66 per cent. So the total number would actually be:

$$888,840/44\% = 2,020,091$$

By combining this mapping data with data from our own survey we are able to estimate the average number of employees in these social enterprises (Table 2).

The estimated number of FTE jobs in social enterprises in SSA is therefore:

$$2,020,091 \times 20.6 = 41,613,873$$

**Table 1:** Estimated prevalence of social enterprises in SSA

Country	Population	Estimate of social enterprises	Social enterprises per 1,000 population
Ethiopia	98,665,000	55,000	0.56
Ghana	30,280,811	26,000	0.86
Kenya	47,564,296	44,000	0.93
Sudan	42,182,340	55,000	1.30
<b>Average</b>	<b>54,673,112</b>	<b>45,000</b>	<b>0.82307</b>

1. <https://www.gemconsortium.org/report/gem-2015-report-on-social-entrepreneurship>

2. <https://www.britishcouncil.org/society/social-enterprise/reports>

**Table 2:** Estimated average number of full-time equivalent (FTE) employees in social enterprises in SSA

Country	No. of social enterprise responses	Full-time jobs	Count of part-time	Part-time as FTE	FTE	Average FTE jobs*
Botswana	2	10	24	12	22	
Cameroon	44	529	269	134.5	663.5	
Ethiopia	233	5,536	657	328.5	5,864.5	25
Ghana	152	1,185	204	102	1,287	8
Kenya	196	2,459	63	31.5	2,490.5	13
Malawi	4	19	52	26	45	
Nigeria	585	10,877	5,234	2,617	13,494	23
Rwanda	3	49	32	16	65	
South Africa	341	10,203	62	31	10,234	30
Sudan	236	2,446	658	329	2,775	12
Tanzania	5	180	170	85	265	
Uganda	4	22	18	9	31	
Zambia	2	3	4	2	5	
Zimbabwe	1	4	10	5	9	
<b>Total</b>	<b>1,808</b>	<b>33,522</b>	<b>7,457</b>	<b>3,728.5</b>	<b>3,7250.5</b>	<b>20.6</b>

\*Country averages have only been included where there was specific country data from more than 150 social enterprises.

## SME size and density in SSA

**Table 3:** SME size and density in SSA

based on data from <https://www.smefinanceforum.org/data-sites/msme-country-indicators>

	Population	No. of registered SMEs	No. of SME employees	Average employees per SME	SMEs per 1,000 population
Botswana	2,338,851	14,000	-		6
Cameroon	25,876,000	203,000	242,000	1.2	8
Côte d'Ivoire	25,823,071	12,000	-		0.5
Ethiopia	98,665,000	177,000	666,000	3.8	2
Ghana	30,280,811	2,300,000	858,000	0.4	76
Kenya	47,564,296	1,600,000	6,300,000	3.9	34
Nigeria	200,963,599	37,000,000	60,000,000	1.6	18
Senegal	16,209,125	407,000	-	-	25
South Africa	58,775,022	945,000	-	-	16
Sudan	42,182,340		-	-	-
Tanzania	55,890,747	3,200,000	5,200,000	1.6	57
Zimbabwe	15,159,624	782,000	5,700,000	7.3	52

## SME average employees

**Table 4:** Average number of employees across all countries for which there is data

	Population	No. of registered SMEs	No. of SME employees	Average employees per SME
Cameroon	25,876,000	203,000	242,000	1.2
Ethiopia	98,665,000	177,000	666,000	3.8
Ghana	30,280,811	2,300,000	858,000	0.4
Kenya	47,564,296	1,600,000	6,300,000	3.9
Nigeria	200,963,599	37,000,000	60,000,000	1.6
Tanzania	55,890,747	3,200,000	5,200,000	1.6
Zimbabwe	15,159,624	782,000	5,700,000	7.3
<b>Average</b>	<b>474,400,077</b>	<b>11,962,000</b>	<b>78,966,000</b>	<b>1.7</b>

**Table 5:** Average employees based on countries for which there is social enterprise comparison data

	Population	No. of registered SMEs	No. of SME employees	Average employees per SME
Ethiopia	98,665,000	177,000	666,000	3.8
Ghana	30,280,811	2,300,000	858,000	0.4
Kenya	47,564,296	1,600,000	6,300,000	3.9
Nigeria	200,963,599	37,000,000	60,000,000	1.6
<b>Average</b>				<b>2.4</b>

## Social enterprise average employees

**Table 6:** Average number of social enterprise employees based on countries for which there was overall comparison data

Country	No. of social enterprise responses	FTE jobs	Average FTE jobs
Ethiopia	233	5864.5	25
Ghana	152	1287	8
Kenya	196	2490.5	13
Nigeria	585	13494	23
<b>Total/average</b>	<b>1,166</b>	<b>23,136</b>	<b>19.8</b>

# Appendix 5: Participants and interviewees

We are very grateful to everyone who gave up their time to complete our surveys and take part in interviews and focus groups.

## Key informant interviews

1. Adereni Abiodun, CEO, HelpMum (Nigeria)
2. Olasimbo Sojinrin, Country Director, Solar Sister (Nigeria)
3. Jean-Patrick Ketcha, Founder, Le Boukarou (Cameroon)
4. Richard Mboom, CEO, SEED (Cameroon)
5. Michael John, Programme Manager, Itanna (Nigeria)
6. Tope Omotolani, VP, Crowdyvest (Nigeria)
7. Rhotkinen Parradang, Partnership Analyst, Ventures Platform (Nigeria)
8. Osasenaga Enogieru, National Programme Manager, Winnovation (Nigeria)
9. Muyiwa Morolari, Administrative Manager, Lagos State Technical and Vocational Education Board (LASTVEB) (Nigeria)
10. Sunkanmi Babalola, Consultant, Acceler8 Hub (Nigeria)
11. Udocka Jacobs, Assistant Programme Director, Leadsapce/Passion Incubator (Nigeria)
12. Yves Cedric Ntsama, Founder, ECOLIA Labs (Cameroon)
13. Moustapha Cisse, Innovation for Empowerment and Development (Senegal)
14. Diadji Niang, Laboratory for Research for Economic and Social Transformation (Senegal)
15. Malick Diop, Coordinator, Platform for Non-State Actors (Senegal)
16. Bocar Ba, Support Centre for Women Initiatives (Senegal)
17. Abdoulaye Goudiaby, GIE, Department of Bignona, Ziguinchor (Senegal)
18. Official, Ministry of Youth and Employment (Côte d'Ivoire)
19. Representative, Social Justice (Côte d'Ivoire)
20. Representative, O'Village (Côte d'Ivoire)
21. Representative, Institut Catholique ICMA (Côte d'Ivoire)
22. Representative, COLIBA (Côte d'Ivoire)
23. Representative, Cavoequiva (Côte d'Ivoire)
24. Representative, ACSIS (Côte d'Ivoire)
25. Representative, Espoir Handicap (Côte d'Ivoire)
26. Representative, SCAED (Côte d'Ivoire)
27. Oludele Sonekan and Annatu Abdulai, Growth Mosaic (Ghana)
28. Charity Ofosuhene, Muqafrik (Ghana)
29. Jean Mutoni, Acts of Gratitude (Rwanda)
30. Lecturer, Department of Political Science, University of Ghana, Legon (Ghana)
31. Liza Imbonabake, Challenges Worldwide (Rwanda)
32. Guiako Obin, Baby Lab (Côte d'Ivoire)
33. Takudzwa Madavo, Impact Hub Harare (Zimbabwe)
34. Varaidzo Majada, TechVillage (Zimbabwe)
35. Chris Czerwonka, Mosabi (US/Ghana)
36. Philimon T Silassie, Fili Coffee (Ethiopia)
37. Yao Togobo, CEE Centre of Young Black Professionals (Canada)
38. Ethiopian Project Manager, APOPO
39. Dr Emmanuel Ivorgba
40. Tozika, Botswana

41. Peter Pedrick, Framework Africa, RSA, Social Enterprise
42. Gabriel Okeowo, Budgit, Nigeria
43. Bev Meldrum, Kenya, Youth into Employment
44. Khalid M Ali, Impact Hub Khartoum
45. Jane Louise Mills, Noah, RSA
46. Daniel Nyanyga, Balloon Ventures, Kenya
47. Sriram Bharatam, Kuza, Kenya, social enterprise/private sector
48. Claire Baker, Livelihoods, UK in Africa, South Africa, NGO/social enterprise
49. Dr Vesselina Ratcheva, World Economic Forum
50. Charles Omofomwan, Mentor, Noblemissions and Tarlent, Nigeria, south enterprise
51. Soji Akinyel, Nigeria Stock Exchange, private sector
52. Jamiu Akangbe, Data Analytics Expert, Africa Resource Leaders Foundation, Nigeria
53. Javnyuy Joybert, Jafnui, North West Cameroon
54. Sandra Christabel, Kenya, Washington Nationals.
55. Sheka Forna, Sierra Leone, Consultant, private sector
56. Ismail Ibrahim, Sudan, Cross Culture Programme, Germany funded
57. Marcus Coetzee, South Africa, Consultant, Private sector
58. Carter Crockett, Karisimbe Partners, Rwanda, Private sector
59. Mario Alvarez, private sector, social enterprise, DKT, Liberia, Ghana, Sierra Leone
60. Ekuh Edmond, Cameroon, Lead Trainer and CEO, social enterprise
61. Rusangwa Christian, Mali, NGO
62. Melat Yosef, Ethiopia, Vita Bite Plc
63. Elvis Wepngong, NGO fundraiser, Cameroon
64. Patricia Zohndi Yao, Côte d'Ivoire, Social Entrepreneur
65. Leah Dejenu, research and development, private sector
66. Agnieszka Kazimierczuk, INCLUDE Knowledge Platform (NGO)
67. Kofi Dadzie, Rancard, Co-founder
68. Damian Conway, Sustainability Institute Innovation Lab/iShack
69. Kerryn Krige, ILO, South Africa
70. Megan Wright, Tushinde Children's Trust
71. Merden Manufacturing, Ethiopia
72. Peter Oloo, Social Enterprise Society of Kenya
73. Rob Taylor' Columba Leadership, South Africa
74. Victor Konde, ILO, Ethiopia
75. Ayatam Simineh, Social Enterprise Ethiopia
76. Tracey Gilmore, the Clothing Bank, South Africa
77. Muday Mitku, Fresh and Green Academy, Ethiopia
78. Souleymane Agne, Senegal, FRAISEN
79. Soul of Africa, a social enterprise run by Vivobarefoot
80. Send a Cow, across six countries in SSA

### Focus group discussion: Senegal

No.	Name	Organisation	Designation
1	Landing Goudiaby	Dakar-based sports and youth association	President
2	Bocar BA	Centre d'Appui à l'Initiative Féminine (CAIF)	
3	Moustapha CISSE	AFIA FM/IFED Senegal	Broadcast Journalist, Founder of IFED
4	Doudou Sene	Ceppe	
5	Sitta Faye	XEL AK KOM	
6	Kissy Agyeman-Togobo	Songhai Advisory	Facilitator

### Focus group discussion: Ghana

No.	Name	Organisation	Designation
1	Mercy Weguriyire	Ashesi	Alumni
2	John Kamau	SOS Hermann G-Meiner	Teacher, Entrepreneur
3	Fiona Kamau	Lema Concepts (production company)	CEO, Founder
4	Roisin Fogarty	Reach for Change	
5	Jerry Parkes	Injaro	Impact Investor
6	Ekow Mensah	TANOE	Entrepreneur, Founder
7	Dela Ashiagbor	Department of Social Welfare	Deputy Director
8	Kobi Annan	Songhai Advisory	Consultant
9	Gustav Togobo	Songhai Advisory	Director
10	Kissy Agyeman-Togobo	Songhai Advisory	Facilitator

### Focus group discussion: Kenya

No.	Name	Organisation	Designation
1	Mercy	Social entrepreneur	Alumni
2	Queen Mtega	Fundipopote	Founder
3	Morgan	Transport start-up	Entrepreneur
4	Muchango	African Youth Leadership Forum/ Ashoka	Co-ordinator
5	Kuvisa	Social enterprise	
6	Albert Opoku	HapaSpace (Ghana)	CEO
7	Kissy Agyeman-Togobo.	Songhai Advisory	Facilitator

### Focus group discussion: South Africa

No.	Name	Organisation	Designation
1	Shona	Shonaquip	Founder
2	Tracey Gilmore	Clothing Bank	Founder, Partner
3	Yolanda Busbee	Litha Flora	Founder
4	Amanda Solomon	H18 Foundation	Founder
5	Kiara Ramklass	Marimba Jam	Founder
6	Simon Peters	HoutKappers	Founder
7	Adri Williams	Khayelitsha Cookies	Partner
8	Melanie Peterhaams	Ikamva Youth	
9	Sune Stassen	Open Design Afrika	Founder
10	Zaid Philander	I Scream & Red	Founder

### Focus group discussion: Ethiopia

No.	Name	Organisation	Designation
1	Fungai Sandamu-Guldemann	Shona Platz	Founder, Creative Director
2	Hannah	Social Enterprise Academy	
3	Rachael Milson	Social Enterprise Academy	CEO
4	Roisin Fogarty	Reach for Change	Fundraising and Partnerships Manager
5	Kate Gardner	British Council, South Africa	Programme Manager
6	Jean d'Amour Mutoni	Acts of Gratitude	CEO
7	Meaad Elsharif	British Council, Sudan	Social Enterprise Manager
8	Mark Richardson	Social Impact Consulting	Facilitator
9	Richard Catherall	Kataris Ventures	CEO
10	Kissy Agyeman-Togobo	Songhai Advisory	Managing Partner



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