

Social enterprises could hold the key to a prosperous, equitable future for Africa

By [Cathy Smith](#)

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As we continue rebuilding following the economic and social damage caused by the pandemic, there is ample opportunity for optimism.



Cathy Smith, managing director at SAP Africa

I am encouraged by the continent's rich history of innovation and ingenuity. After all, Africa is the cradle of humankind, where stone tools were first invented (2.6 million years ago in modern Ethiopia), papyrus was invented by the Egyptians more than 5,000 years ago, and where the world's first university – in 859 CE – was created in Morocco.

Today, Africa is more prosperous than at any other time in history, with more children having access to education opportunities, fewer people living in extreme poverty, and most people living in democracies.

A shining example of the continent's willingness to meet our shared challenges, which include greater employment opportunities, economic growth, education, and mitigating the impact of climate change, is Africa's vibrant ecosystem of social enterprises that put people before profit and strive to solve the issues we collectively face.

As we mark the hosting of the 2021 Social Enterprise World Forum, which took place in late September, it is important that we note the role such enterprises play in Africa, and identify ways in which the public and private sector can support the growth of this critical sector.



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Understanding the role of social enterprises

What constitutes a social enterprise? According to one South African study, a typical social enterprise is purpose-driven, is not reliant on grants and handouts, and has a particular identity that shies away from being bundled along with normal businesses, charities or NGOs.

At the previous Social Enterprise World Forum held in Ethiopia in 2019, public and private sector leaders from around the world recognised the important role social enterprises play in addressing socioeconomic issues.

In Ethiopia alone, data suggests that half of the country's estimated 55,000 social enterprises are led by people under the age of 35, and more than a quarter (28%) are women-led.

Youth unemployment in particular remains an issue in most African countries. With the world's largest [youth population - 20% of sub-Saharan Africa's population is aged 15 to 24](#) - ensuring gainful and sustainable work opportunities for youth

remains a key priority for the continent.

Across sub-Saharan Africa, social enterprises are estimated to directly create between 28 and 41 million jobs. In fact, based on available data, [social enterprises employ on average 20.6 people compared to only 1.7 for the average SME](#).

Social enterprises can therefore play an important role in addressing youth unemployment. One report estimates that the 141,500 social enterprises in South Africa directly employ 590,000 people, a figure that is expected to grow to 666,000 direct jobs by 2030.

Considering the country's urgent need for youth employment opportunities - the latest official data suggest [nearly half \(46.3%\) of the country's citizens aged 15 to 34 are unemployed](#) – the impact that social enterprises could have on youth employment should not be underestimated.



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Social enterprises inspire hope

Take the example of the Siyafunda Community Technology Centres. Siyafunda, an Africa Code Week (ACW) partner, is a social enterprise providing a network of community centres that extend access to computers, the internet and digital technologies to local communities where such access may be lacking.

In addition to its work with Africa Code Week (ACW), Siyafunda provides accredited digital ICT courses and skills training, business and entrepreneurial skills development, adult literacy programmes and e-learning facilities.

Vitaly, Siyafunda enjoys the benefits of a robust ecosystem of partners, including local, provincial and national government, schools, universities, and private and social organisations.

With research indicating [that African youth are more inclined toward starting social enterprises than commercial ones](#), improving support for social enterprises could have far-reaching positive consequences for youth employment and skills development across the continent.



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Support needed to ensure social enterprise success

As with any emerging small business or startup, social enterprises face the daunting task of survivability, especially during the early stages of its growth. A study conducted in Mexico found that 83.5% of social enterprises in that country failed within three years. [Four in ten failed within the first year of operations](#).

A World Bank report found that South Africa was the only country in sub-Saharan Africa that explicitly recognises social enterprises in policy, and recommended that it supports existing initiatives, programmes and capacity building, including at universities and NGOs with a view to growing the social enterprise ecosystem and improving its chances of success.

Governments can certainly play a vital role in supporting social enterprises, but the private sector can make valuable contributions too. Private sector support – via investment, technology and skills transfer – could accelerate the impact social

enterprises make.



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Ensuring relevance, sustainable impact

This shouldn't be a CSR project or peripheral activity: companies must link their support for social enterprises to their core business to ensure relevance and sustainable impact.

For example, larger enterprises could build this type of support into their supply chain processes by committing a percentage of their procurement spend to social enterprises. Leveraging the size and reach of the Ariba network – which supports more than double the commerce of Amazon, Alibaba and eBay combined – could give enterprises an accessible entry point to grow their businesses.

SAP, for example, launched its 5x5x25 initiative, which commits 5% of our global procurement to social enterprises and 5% to diverse businesses by 2025. The initiative is designed to leverage corporate support from B2B procurement and technology to give social enterprises a boost and increase their impact.

Considering that [78% of social enterprises actively seek to create jobs](#) (compared to only 27% of for-profit enterprises) and that 35% of social enterprises purposely support vulnerable population groups (compared to only 7% of for-profit enterprises) support for social enterprises can have far-reaching positive consequences for countries, communities and the continent.

Now is the time for private sector leaders to step up and play an active role in the success and growth of Africa's social enterprise sector.

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