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RALLYING AFRICA TO EMBRACE AND IMPLEMENT SOCIAL
INNOVATION POLICIES: LESSONS FROM FAR AND NEAR

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Sub-Saharan Africa's tagline as "the next global investment hub" is becoming a cliché. Following a decade of sustained economic growth, averaging between 5 and 6% of annual Gross Domestic Product (GDP) growth (Regional Economic Outlook, 2014) and backed by rich natural resources such as gold, timber, silver, coal and new discoveries of oil in many countries, all indicators are pointing towards a continent with formidable economic prospects. The latest ranking places Sub-Saharan Africa (SSA) as the second fastest-growing continent after Asia, with seven of the world's ten fastest-growing economies located in the region. In fact, SSA is brimming with unprecedented confidence about its future prospects as a global competitor and economic giant. Another driving force is the marked shift in the global perception of Africa as a dark continent – full of pessimism and despair – to a continent with huge potential that has caught the eyes of traditional and new economic powers. Underlying this new optimism is the fundamental improvement in macroeconomic policies, the robust business environment, and growing political stability in many African countries.

Serving as a catalyst to Africa's economic transformation is the technological revolution that is sweeping across the continent. With regards to mobile phone connectivity, approximately 650 million individuals had a mobile phone subscription in 2012, making the mobile phone market in Africa bigger than that of either Europe or the United States. This figure is expected to hit one billion in less than 5 years. Mobile phone connectivity has become almost ubiquitous, transforming lives through job creation and easy access to information. Similarly, the internet has captivated African society with bandwidth growth increasing twenty fold since 2008 and an expectation to provide coverage of the entire continent. With this revolution, countries such as Kenya, Senegal and Rwanda are exploiting the advances in technology to implement information and communications technology (ICT)-enabled trade initiatives for social-economic growth. Indeed, we find ourselves in an era when mobile phone technology and internet connectivity have become major driving forces for change, providing unprecedented opportunity and access to today's young African entrepreneurs, and offering them a competitive advantage in the global digital economy. How then, do African governments perceive and possibly incorporate technology into development strategies for sustainable growth in their respective countries?

Africa's current development paradigm is geared toward the pathway of industrialization. The African Development Bank (AfDB), the African Union (AU), United Nations Economic Commission for Africa (UNECA) and other continental bodies strongly opine that the way out of poverty, inequality and unemployment in African countries lies in their ability to capitalize on resource endowments, high international commodity prices and

commodity-based industrialization. However, the widely held belief that economic growth through industrialization alone is enough to offer adequate solutions to social and economic challenges has been misleading. The industrialization model implemented over time has failed to create jobs, alleviate poverty, reduce inequality and promote sustainable development. This policy brief argues that the best solutions come from placing society at the center of innovative problem-solving in order to address major challenges. Integrating social innovation solutions more firmly into governmental and regional organization strategies can support sustainable development from the bottom up. Along these lines, government, private sector and non-governmental organization (NGO) stakeholders would play essential roles in creating and implementing social change.

THE ROLE OF GOVERNMENT, PRIVATE SECTOR AND CIVIL SOCIETY IN FOSTERING SOCIAL INNOVATION

It is undeniable that governments, private sector and civil society organizations in the past have developed innovative solutions to address social problems. However, what has unfolded more recently is an exciting energy surrounding the development and use of new technologies to propel a social innovation agenda forward. Social innovation is defined as "a novel solution to a social problem that is more effective, efficient, sustainable, or just an existing solutions and for which the value created accrues primarily to society as a whole rather than private individuals". This novel solution can be a product, service or model, a production process or technology, which closely aligns with innovation in general. It can be a piece of legislation, a social movement, an intervention or a combination of them. Its function must be to meet

social needs or solve social problems, bring about social change such as new institutions and social systems, and establish new social relationships or collaborations and values.

Currently around the world, we are witnessing various initiatives that provide physical or virtual platforms that connect innovators with stakeholders in order to find ways to attract financial resources and forge new partnerships that transcend boundaries and sectors. Even more encouraging, governments are beginning to recognize their role as crucial partners for scaling up proven innovations.

There is compelling evidence of increased financial support for social innovation initiatives around the world. Examples of established “Social Innovation Funds” can be found in the United States, Australia, Italy, Colombia, India and the European Union. Several countries have also established “social finance” infrastructure, such as social impact investing, enterprise or venture trust to provide financial resources for social endeavors, and business startups. Some examples include the Venture Capital Trust Fund (VCTF) in Ghana, Social Venture Exchange (SVX) in Canada; Asia IIX in Singapore; Social Stock Exchange in the UK; and Sasix in South Africa. Countries such as the United States, United Kingdom and Canada have also enacted legislation that facilitates the establishment of hybrid-functioned companies that combine a socially beneficial mission with a for-profit business model. Examples are the Low-Profit Limited Liability Company (L3Cs) (US), B Corporations, Community Contribution Companies (British Columbia, Canada) and Community Interest Companies (UK). These companies under the legislation will have access to privileges currently

unavailable to non-profits, such as the ability to accept equity investment, issue shares and pay shareholder dividends.

How do African governments perceive and possibly incorporate technology into development strategies for sustainable growth in their respective countries?

They are designed to take advantage of both non-profit and for-profit sources of capital. In addition, social innovation competitions or challenges have been developed with innovators generating novel solutions to address social problems and identifying potential projects that can be scaled up for greater impact. Examples include the European Commission Social Innovation Competition, the US Challenge.gov, the Asia Social Innovation Award and the One MP - One Idea Initiative in India.

In some sub-Sahara African countries, government engagement in social innovation seems to be driven by multiple “push and pull” factors that have compelled them to take a more proactive role. Government finances in these countries have come under intense pressure in recent years following declining rates of economic growth and deepening deficits. Making matters worse is the inability of existing government policies to deal with complex social problems, in spite of increased spending. Furthermore, available resources are already locked into maintaining existing bureaucratic systems, making it extremely difficult to tackle emerging problems, such as increasing social exclusion,

growing youth frustration due to unemployment, and widening social and economic inequality.

Despite these challenges, there is a growing focus on social entrepreneurship and social enterprise for career development in order to reduce the job creation burden on government and to create self-sufficiency. Increasingly apparent is the importance of establishing government funding programs to support organizations that pursue a blend of social and financial objectives. Such organizations seek to identify innovative solutions oriented towards social needs, as well as generate economic benefits through the creation of enterprises and markets. Governments can also use the advances in technology and the digital economy to crowd source policies and social innovations from businesses, civil society organizations, and individuals.

BUILDING A SHARED SYSTEM FOR SOCIAL INNOVATION

While there is no clear-cut formula that engineers innovation to address social problems, it could be said that the underlying sequence of events and interactions among society and its institutions have contributed to contemporary societal change and the resulting innovations. For a long time, NGOs, private sector companies and governments have worked in silos, making their ideas shielded and locked inside their respective sector walls. The private sector sought solutions for commercial and economic profits, seldom targeting solutions for social problems. Their often frosty relationship with government resulted from taxes and regulations levied by governments. Non-governmental organizations that hardly discussed management or legislation were left with a responsibility of dealing with the social problems.

However, there is a growing relationship and engagement between these different sectoral actors. NGOs, governments and the private sector have begun to develop a sense of appreciation about the complex nature of current global problems, such as poverty, social exclusion and inequality. A common understanding of these issues is emerging, as is the need to develop dynamic solutions. Recent cooperation and collaboration among government and the private sector, NGOs and civil society actors, indicate a paradigm shift that is taking place from one that perpetuated a “government responsibility” mindset to a “shared responsibility” perspective, eroding the barriers often found between governments and other stakeholders.

Social innovations are not motivated solely by the need to maximize profit, but also to provide an avenue or opportunity for social change and economic growth.

One example of this is how governments in some African countries are shifting from the antagonistic roles of regulator and taxpayer towards a more supportive and collaborative partnership role. The private sector, in response, is opening up to government and NGOs to share its experience in revenue generation, profit maximization, performance measurement and entrepreneurship. Likewise, NGOs are sharing their wisdom on social issues, grassroots mobilization, philanthropy and advocacy with the private sector and government. The private sector especially, is leading the way on many social issues through Corporate Social Responsibility and Social Impact Investing

strategies, and together with NGOs, they have engaged with governments to shape public policy.

The efforts of government, the private sector and NGOs to cooperate, collaborate, and establish partnership for social innovation offer a solid interactive model for social change. Today, we see a blend of financial sources and frameworks that integrate private capital with public and philanthropic support to develop sustainable, and sometimes even profitable social innovations such as the Equity Bank and Safaricom MPESA in Kenya. This interaction underlies the critical functional mechanism of social innovation; exchanges of ideas and values, shifts in roles and relationships, and the integration of private capital with public and philanthropic support.

However, it is important to note that, social innovation is not motivated solely by the need to maximize profit, but also to provide an avenue or opportunity for social change and economic growth. The shift towards self-sufficiency has the potential to bring down the pressure on government to create jobs, as well as to reduce youth's dependency on the job market, as many young people brave the odds to initiate business and social enterprises. Additionally, the private sector is instilling confidence in the job market, offering laudable incentives to attract particularly youthful innovative minds. For example, Safaricom, a leading telecommunication company in Kenya, has established the Safaricom Academy in partnership with Strathmore University, Kenya to provide entrepreneurial talent with certified qualification and experiential training in telecommunication innovation. The academy also owns an incubation center that offers an environment where potential young minds can create innovative applications.

NGOs are also developing capacity for social change, creating many opportunities for innovation and nurturing social entrepreneurs. Innovate Kenya is a non-profit organization that seeks to empower local youths to create and implement their own innovative solutions to pressing issues in their communities. The organization holds nation-wide social ideas-for-profit innovation challenge and up to 20 winners are rewarded with cash prizes and invited to innovation camps where they receive professional mentorship to develop their problem-solving prototypes.

SHAPING AFRICA'S DEVELOPMENT TRAJECTORY THROUGH SOCIAL INNOVATION

A confluence of economic, social and technological indicators in Africa all point toward a glowing opportunity that ought not to be missed. Given that Africa's development trajectory - hinged as it is on industrialization and based on material resources - is highly risky and inadequate to address the dynamic and complex social problems, it is critical that Africa rethinks the current development agenda and considers integrating social innovation into national, regional and continental planning strategies. Fundamental to social innovation is the placement of society and their needs at the center of identifying cutting-edge and sustainable solutions to address the continent's most pressing problems.

The call for social innovation into the mainstream development agenda is based on concrete evidence of successes around the world. Many social innovations have accounted for design of new business models that blend market and non-market approaches, combining diversified sources of investment. These integrated models are unique, as they tend to lower cost structure and

facilitate service delivery to meet the unmet needs of society in a more efficient, effective, and if not profitable, at least sustainable way. Such business models may potentially involve trade-offs and pressure emanating from the different sources of investment. However, the unique characteristic of the joint forces is set to overcome the limitations that confront wholly for-profit or non-profit as they address social needs and problems.

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So far, we have seen the contribution of individual sectors in the promotion of social innovation as a mainstream development agenda for growth. The convergence of the private sector, public sector and non-profit community creates a suitable environment for social innovation to flourish. Active in operation at the points of connection among these actors are the flow of ideas and values, learning, shifts in roles and relationships, and the mixing of private sector capital from business with public sector and philanthropic support to produce a unique hybridized approach towards creating social value.

In Africa, social innovation is yet to take off at the national and regional levels.

There are pockets of social innovation brilliance that dot the landscape of African countries. What remains essential is the recognition and commitment of government leaders and policy makers to partner with funders in the private sector and donors to design context specific programs to scale up social innovation. African countries need to institute and embed these social innovations into the current development agenda which is skewed toward the use of material resources for growth. Social innovation presents a unique model for growth which endears actors who aspire to solve the world's most vexing problems to shed the conventional way of working to understand, embrace, and leverage cross-sector dynamics that characterize social innovation: exchanging ideas and values, shifting roles and relationships, and blending public, philanthropic, and private resources to foster social and economic growth.

POLICY RECOMMENDATIONS FOR AFRICAN GOVERNMENTS

The role of governments in scaling up innovation for social change and economic growth is crucial to the sustainable development of African countries. Governments can play many different roles, from being an investor to creating enabling environment for social innovation to prosper at the national and regional levels. African governments should nurture the field for social innovation by:

- Developing common interpretation and understanding on the concept of social innovation and bringing all stakeholders on the same level;

- Leveraging the media and other public platforms to introduce social innovation into mainstream national and regional discussions;

- Diminishing boundaries and breaking down barriers that impede social innovators by actively engaging diverse stakeholders to share ideas and facilitate social innovation. While encouraging the engagement, governments can incentivize stakeholder participation by designing or putting in place regulatory and economic instruments (such as legislations, tax rebates and exemptions) that facilitate novel business types which primarily enhance social value/targets social interest;

- Promoting both inter and intra- departmental cooperation and collaboration, incorporating diverse perspective in the review and development of policies;

- Establishing or re-prioritizing existing national Social Impact Investment Fund, leverage private finance, and encourage social innovations by bringing proven innovative programs to scale, while promoting rigorous program evaluation. Governments in partnership with universities, private sector and non-profit organizations should set up competitive programs that provide grants and loans for sound business plans as well as establish incubates to nurture these business start-ups;

- Moving outside partisan politics and aggressively promoting local inventiveness and generational change by allowing stakeholder self-sufficiency, and instilling in the youth self-confidence and the determination to succeed.

US POLICY ON AFRICA – HARNESSING YOUTH INNOVATION POTENTIAL

US administrations over time have broadened the scope of policy toward Sub-Saharan Africa. From one president to the next, US-Africa policy has been marked by unprecedented resource flows in aid and trade, democratization and governance, security engagement and public health, etc. Principally, there are four interdependent and mutually reinforcing pillars that characterize this policy: i) strengthening democratic institutions; ii) spurring economic growth, trade, and investment; iii) advancing peace and security; and iv) creating opportunity and development.

The US government must rethink the current foreign aid and development policy towards African countries following the advances made by many African economies. In this regard, the following recommendations are provided for US government consideration:

- It is important for the US government to shift from development cooperation that supports a large framework of social and economic aid towards a strategic socio-economic partnership that promotes innovations and exchange of common values and interests.

- Increase US financial investment in Africa drawing from both public and private sources to promote innovation. The McKinsey Global Institute estimates in 2014 puts Africa infrastructural investment needs to be around \$2.6 trillion by 2030, including highway, water, and telecommunications infrastructure. There is no opportune time as this for the United States to capitalize on making

investments to engineer innovations that would potentially create a win-win situation for Africa and the United States.

- Invest in the next generation of African leaders - Captured under the fourth pillar is the commitment of the US government to develop a new generation of business and political leaders by advancing the President's Young African Leaders Initiative (YALI), which supports leadership development, promotes entrepreneurship, and connects youth leaders with one another and the United States. While this initiative is highly laudable, there is much room to expand the number of beneficiaries from 500 to 2000 so that over the next ten years, the African continent can boast of at least 20,000 leaders who can potentially have a greater impact by bringing about the transformational change desperately needed in Sub-Saharan Africa.
- The Social Innovation Fund (SIF), implemented by the Office for Social Innovation and Civic Participation is a unique model which can be replicated in African countries. The US government in designing its development assistance program to African countries can incorporate the SIF model as a way to promote social innovation and entrepreneurship as a mainstream activity.

ENDNOTES

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Information technology training for kids who live in the surrounding farm areas of Stutterheim, courtesy of World Bank Photo Collection via Flickr.

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THE AFRICA PROGRAM

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The Africa Program's mission is to analyze and offer practical, actionable options for addressing some of Africa's most critical, current and over-the-horizon issues; to foster policy-focused dialogue about and options for stronger and mutually-beneficial US-Africa relations; and to challenge the dominant narrative about Africa by enhancing knowledge and understanding about Africa in the United States. The Africa Program has four programmatic pillars: i) governance and leadership; ii) conflict management and peacebuilding; iii) trade, investment, sustainable development and human security; and iv) Africa's evolving role in the global arena. The roles of youth, women, and technology are critical to Africa's future - to good governance, securing peace, mitigating poverty and assuring sustainable development. As such, these issues are addressed across all four thematic areas.

The Southern Voices Initiative supports the Africa Program's mission by bringing African perspectives into discussions about US policy towards Africa. This policy brief is an integral part of that initiative. Find more information about the Southern Voices Network and participating member organizations.

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