Stanford SOCIAL INNOVATION Review

20th Anniversary Essays

Shifting Power to African Organizations

By Ndidi Nwuneli

Stanford Social Innovation Review
Spring 2023

Stanford Social Innovation Review
www.ssir.org
Email: editor@ssir.org

positive social and environmental impact. As Jim Phills Jr., Dale Miller, and I wrote in our 2008 *SSIR* article "Rediscovering Social Innovation," "Finally, we believe the most important implication is the importance of recognizing the fundamental role of cross-sector dynamics: exchanging ideas and values, shifting roles and relationships, and blending public, philanthropic, and private resources."[5]

This approach still holds true today. We need to bring people from across all sectors of society to work together. But just as we can't wait for the commercial sector to invite us to the data table, we can't sit by and wait for them to join us at the social change table. It's time the social sector started to drive the power of data, alongside the commercial sector, toward a future that is just, sustainable, and prosperous for all. ●

Notes

1 The Center for Social Innovation's early vision is quoted from a pitch deck we put together at the founding.

2 Kriss Deiglmeier, "The 'Data Divide' is a New Form of Injustice. Ending it Could Help us Meet Humanity's Greatest Challenge," *Forbes*, October 6, 2022.

3 Jake Porway, "Funding Data and AI That Serve the Social Sector," *Stanford Social Innovation Review*, May 16, 2022.

4 Afdhel Aziz, "The Power of Purpose: The Business Case for Purpose (All the Data You Were Looking For Pt 2," *Forbes*, March 7, 2020.

5 James A. Phills, Jr., Kriss Deiglmeier & Dale T. Miller, "Rediscovering Social Innovation," *Stanford Social Innovation Review*, Fall 2008.

SHIFTING POWER TO AFRICAN ORGANIZATIONS

BY NDIDI NWUNELI

By 2050, Africa's population is expected to double to 2.4 billion, meaning that 1 in 4 people in the world will live on the continent.[1] And Nigeria will become the third most populous country after China and India. This dramatic demographic shift will have ramifications for the global social innovation landscape—and funders both in Africa and globally need to adjust.

While millions of social enterprises are emerging in Africa—concentrated in Kenya, Egypt, South Africa, and Nigeria—the majority are struggling to scale up.[2] Their biggest challenge is the persistent barriers to obtaining funding from local and international organizations, particularly when compared to the funding that international NGOs and foreign-owned or -based social enterprises receive. Only 9 percent of large gifts by African donors and 14 percent of large gifts by non-African donors go to local NGOs.[3] Most large gifts go to international NGOs based outside of Africa, operating foundations, and the public sector.

Over the next 20 years, this disparity must change so that local social enterprises can obtain the funding and support required to meet the education, health, climate, food security, and energy needs of Africa's growing population. This shift will require a reset in the way that local and international funders, and international NGOs, engage with local organizations in Africa. For this to occur, African and global philanthropists, corporate foundations, and impact investors who are committed to supporting social innovation in Africa must embrace three critical actions.

BUILD A VIBRANT AND FUNDING-READY LOCAL PIPELINE

When funders are challenged about their poor track record of supporting local African organizations, their principal arguments are that they cannot find credible and capable local companies or that they need to move quickly and prefer to work with trusted partners who are already in their "system." On the other hand, African entrepreneurs argue that they are largely closed off from the funding landscape because of their limited networks and the implicit bias of many funders. Some also say that funders hold them to a different and often higher set of standards, and that funders tend to support individuals who share similar experiences to their own. They point to the example of some recent African entrepreneurs graduating with MBAs from leading universities in Europe and the United States who appear to have established support networks abroad before returning home to start their ventures, enabling them easier access to funding.

Another challenge is that the overwhelming number of new investments being made in Africa go to technology ventures, with limited amounts going to other critical areas such as agriculture and health. In 2021, 31 percent of the funding flowed to fintech enterprises and 22 percent to cleantech, while agriculture only attracted 7 percent and health just 9 percent, even amid the COVID-19 pandemic.[4] In addition, only 17 percent of those who raised funding were women. While these results are not unique to Africa, the need for more equitable funding flows and greater diversity on the continent will only grow in the future.

A series of recent initiatives has been launched to address this pipeline gap. In 2022, the African Philanthropy Forum launched Start Point Africa, a digital platform to bridge the gap between donors seeking to fund credible African-led organizations and local organizations that need funding. In the same year, Catalyst 2030 created Africa Forward. One of its five priority initiatives is focused on redirecting funding so that at least 50 percent of all African funding goes to African-led organizations directly, without using intermediaries, and with particular consideration for youth- and gender-focused organizations.

Funders can reduce their perceived risk by tapping into local networks of accelerators and incubators. Examples of leading efforts include LEAP Africa's Social Innovator's Program in Nigeria, Co-Creation Hub in Nigeria, and blueMoon Advisory Services in Ethiopia, all of which have local credibility and strong relationships with the research community.

NDIDI NWUNELI is the founder of LEAP Africa and African Food Changemakers, co-founder and chair of Sahel Consulting Agriculture & Nutrition Ltd, and cofounder of AACE Food Processing and Distribution. She serves on the Boards of The Rockefeller Foundation, Bridgespan Group, Godrej Consumer Products Plc., Nigerian Breweries, and Global Alliance for Improved Nutrition. Her most recent book is *Food Entrepreneurs in Africa: Scaling Resilient Agricultural Businesses*, Routledge, 2021.

Funders can co-invest with local philanthropists and impact investors with proven track records and strong industry expertise, such as the Fund for Agriculture Financing, managed by Sahel Capital in Nigeria. Funders can also partner with industry-, youth-, and gender-focused communities that have a track record of supporting aspiring and emerging social innovators and entrepreneurs, such as African Food Changemakers, WomenWork, GoGettaz, and Value4Her.

SUPPORT FUNDING WITH LOCAL TALENT

In addition to identifying and funding more local social enterprises in diverse and critical sectors, and seeking to close the gender gap, funders must build a local support ecosystem to conduct due diligence and enhance the likelihood of sustained impact. International funders must partner with local advisory, law, and auditing firms to vet potential organizations and resist the urge to parachute international firms into a context they need to understand fully and where they have limited local knowledge and networks.

It is also critical that international funders identify and bring on credible local board members and senior team members to ensure continued oversight, transparency, accountability, and critical guidance. Building this local talent pipeline will be more cost-effective and ensure the creation of local knowledge and on-the-ground support which will ultimately lead to sustained impact. In addition, funders should leverage the local training ecosystem to build the capacity of their partners. Leading institutions, including the Lagos Business School, the Enterprise Development Center of the Pan Atlantic University in Lagos, and the Bertha Centre for Social Innovation and Entrepreneurship at the University of Cape Town, have established open enrollment and tailored programs for practitioners in the nonprofit and social enterprise sector.

When it proves challenging to find local partners to execute projects in the short term, funders who engage international NGOs must set clear local partner development, mentoring, and knowledge transfer targets as part of their grantmaking process. This will ensure that the international NGOs refrain from crowding out local organizations and are instead incentivized to strengthen the talent and capabilities within the local ecosystem to pave the way for their ultimate exit.

SET BOLD EQUITY TARGETS AND TRACK RESULTS

Funders must establish clear, bold targets for the percentage of their funding channeled to African-led organizations and actively track performance against these targets. This data should be clearly reported in annual reports and other publications. Global and regional philanthropy research and support agencies should actively report these results.

Clear definitions must be broadly adopted to ensure that the data collected is meaningful and relevant for the funders and the communities they serve. One place to start is examining the criteria being used in the United States for "proximate leaders," which include the location of the headquarters, the composition of an organization's leadership team and board of directors, decision-making structures and norms, and the focus of the work on the ground.

Africa's relevance and importance in the social innovation landscape are growing and will only increase over the next two decades, given the demographic trends and the emergence of more social enterprises and nonprofit organizations. Social sector funders and leaders must recognize and embrace these trends by funding and supporting local entrepreneurs and organizations. This will not only ensure the emergence of high-impact social enterprises operating at scale in Africa, but will also propel the growth and development of the continent. ●

Notes

1 "The World Population Prospects: The 2017 Revision," Department of Economic and Social Affairs, United Nations.

2 Emily Barran, Aline Laucke, Leonhard Nima, Mukund Prasad & Carola Schwank, "Social Enterprises as Job Creators in Africa," Siemens Stiftung, November 3, 2020.

3 Mosun Layode, Jan Schwier, Siya Hayi-Charters, Maddie Holland & Soa Andrian, "Disparities in Funding for African NGOs," African Philanthropy Forum and The Bridgespan Group, July 2021.

4 "Africa Investment Report, 2021," Briter Bridges, March 1, 2022.

BUILDING CONNECTIONS BY DESIGN

BY ZIA KHAN

The term "polycrisis," described as an interlocking of multiple crises, gained popularity after COVID-19 triggered a range of crises that together overwhelmed the systems designed to manage them. As leaders struggled with mandating lockdowns to protect citizen's health, they had to consider cascading impacts on economic security, education, and social cohesion.

Out of this experience, the common response has been to invest in planning and solution development intended to better prepare us for the next wave of shocks. Unfortunately, as our social and environmental challenges become more unpredictable, this approach is inadequate. We need to shift from planning solutions for an assumed future to strengthening the connections that mingle ideas, leaders, and resources and that allow solutions to emerge for whatever future we face.

This idea of investing in connections to produce emergent solutions can feel uncomfortable. Not knowing what will emerge means we aren't in control. But instead of treating uncertainty as a negative, we can use it to our advantage. We can lean into the knowledge that connections drive solutions, often with surprising upsides that grow more freely outside the constraints of our control.

Social innovation is a collective task driven by coalitions and teams. As much as we like the narrative of the lone genius who gives birth to ideas from thin air, the facts prove this to be a myth. Instead, innovative solutions come from ideas and leaders that are constantly col-

ZIA KHAN is senior vice president for innovation at The Rockefeller Foundation where he oversees the foundation's approach to developing solutions to create transformative impact on people's lives using novel technologies and techniques. Before joining the foundation, he led the San Francisco office at Katzenbach Partners where he advised clients on leadership, strategy, and organizational performance and coauthored the book *Leading Outside the Lines*.