

**A QUALITATIVE ANALYSIS OF SOCIAL ENTERPRISES AS
MECHANISMS FOR BOOSTING AGRICULTURAL
PRODUCTIVITY IN KENYA**

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ABSTRACT

With the ever expanding role of social enterprises globally, this research aims to build awareness of the role that social enterprises play in the Kenyan agricultural sector and investigate the factors that influence the development of agricultural social enterprises in Kenya. The data analysed for this study was collected via semi-structured interviews as part of a wider study, 'A case study of health and agriculture social enterprises in Kenya', commissioned by the Overseas Development Institute (ODI) and implemented by the Bertha Centre for Social Innovation and Entrepreneurship at the University of Cape Town Graduate School of Business. The writer of this study was part of the team that collected and published the preceding ODI report from the data set now utilised in this study.

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List of Abbreviations and Acronyms

GOK	Government of kenya
NGO	Non-Governmental Organizations
SAPs	Structural Adjustment Programmes
USA	United States of America
PSDS	Private Sector Development Strategy
KEPSA	Kenya Private Sector Alliance
MSMEs	Medium Enterprise
ARD	Agricultural and Rural Development
GDP	Gross Domestic Product
ODI	Overseas Development Institute
SEMI	Social enterprise market infrastructure
SACCO	Savings and Credit Co-operative
KACE	Kenya Agricultural Commodity Exchange

CHAPTER ONE

1. INTRODUCTION

1.1. Background of the problem

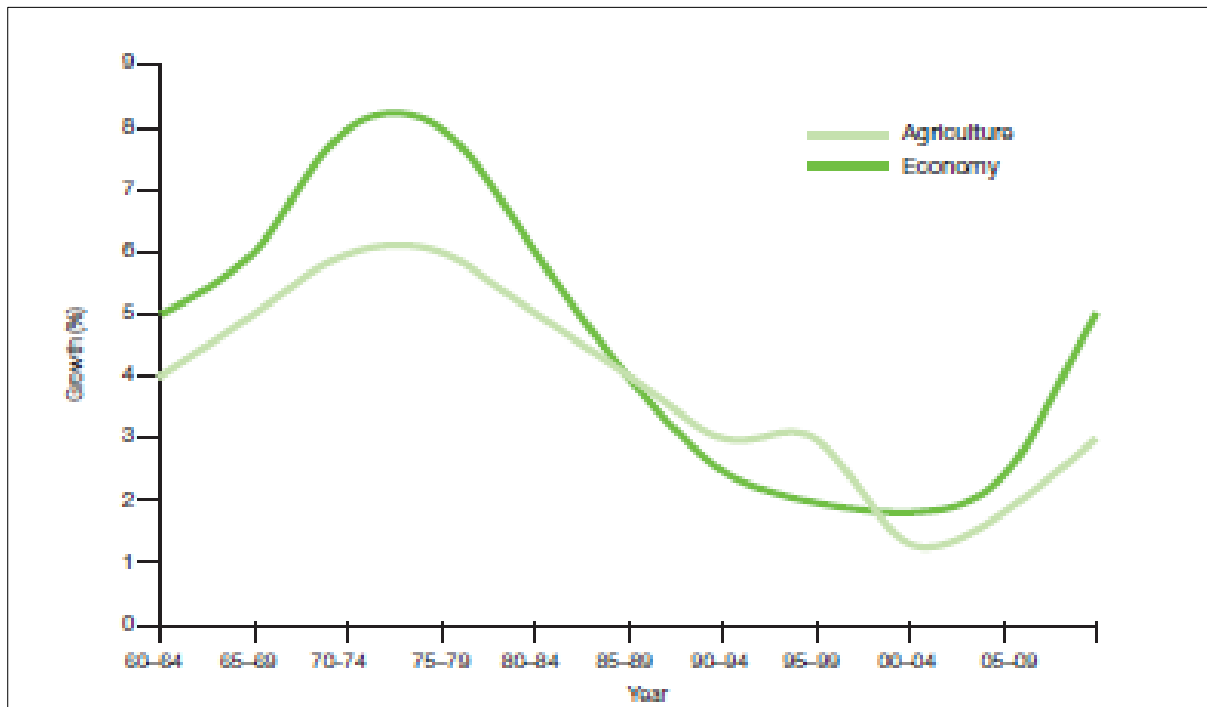
This section aims to provide sufficient information to contextualize the topic and research problem. It explains the relevance of the agricultural sector in Kenya, the productivity challenges that currently encumber the sector as well as a brief introduction of how social enterprises deal with the said challenges.

1.1.1. Agriculture is a determinant of national economic growth

The Kenyan government has identified the Agricultural and Rural Development (ARD) sector as one of the six sectors expected to deliver the 10% economic growth rate under the Vision 2030 development goals¹. On its own, the agricultural sector in Kenya directly accounts for 26% of the total economic activity output measured in Gross Domestic Product (GDP) terms. Indirectly, agriculture linked economic activities contribute a further 25% (GOK, 2010). Moreover, agriculture accounts for 65% of Kenya's total exports (Ministry of Finance, 2011). Consequently, such significance on economic activity means that growth in agriculture would inadvertently affect economic growth. In fact, as exhibited in **Figure 1**, growth trends over time show that a high correlation between Kenya's national economic growth and the growth in Kenya's agricultural sector.

¹ Kenya's development vision covering the period 2008 to 2030

Figure 1: Trends in agriculture and economic growth (1960-2008) (GOK, 2010)



1.1.2. Agriculture is a significant source of livelihood in Kenya

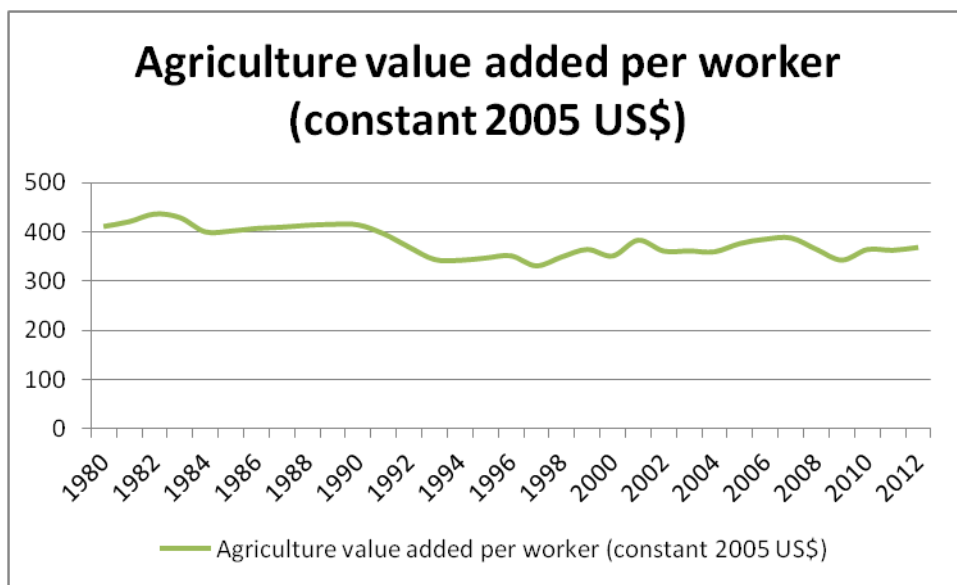
Agriculture accounts for 18% of formal employment and 60% of total employment in Kenya (Ministry of Finance, 2011). Furthermore, according to Financial Sector Deepening Kenya (2009), agriculture is the main source of livelihood for 44% (about 10 million) of the Kenyan adult population. The development of the agricultural sector in Kenya is said to be paramount for poverty reduction as most of the vulnerable groups such as subsistence farmers, pastoralists and farm labourers (landless) heavily rely on agriculture as their source of livelihood (Alila & Atieno, 2006).

1.1.3. Low agricultural productivity in Kenya

In spite of the high reliance and high workforce involvement in agriculture, agricultural production has remained at a low and relatively stagnant level. As shown in **Figure 2**, for instance, Kenya produces an average of 1.3 tonnes of maize per ha (GOK, 2010), which is significantly lower than the United States of America's (USA's) production of 10 tonnes per ha and South Africa's (SA) average of 4.2 tonnes per ha (Pioneer, n.d.). Moreover, the average milk production in Kenya is between 8 and 10 litres per cow per day while that of USA and SA is 30 litres (Wambugu & Kirimi, 2010 and Compassion in World Farming, n.d.).

This suggests that national production is not at par with national demand, and it is supported by the fact that Kenya is a net importer of food even in non-drought periods (Cenacchi, 2014). In fact, rural small-scale farmers are themselves net buyers of staple food (Ariga, et al., 2010). Furthermore, a recent survey by Ipsos Synovate (2014) revealed that one in three Kenyans has had to go to bed hungry one time or another (Kariuki, 2014). Evidently, although the agricultural sector is critical to the Kenya, there are major challenges that inhibit its productivity.

Figure 2: Agricultural value added per worker (World DataBank, 2014)



1.1.4. Social enterprises’ role in promoting agricultural productivity

The Government of Kenya has over time played a major role in overcoming the challenges that affect the agricultural sector to enhance productivity (GOK, 2010). However, although the Government of Kenya has identified agriculture as a key economic pillar and has instituted various strategies over the years to bolster productivity, The Government of Kenya is constrained by resources and may not adequately mitigate the challenges that hinder agricultural productivity in Kenya (FAO, 2002). As a collaborator to the government’s efforts, social entrepreneurship, the act of conducting a social enterprise, has emerged in recent decades as a practical response to the needs unmet by traditional support structures. It is said that social enterprises across the globe deliver services such as agricultural extension services, credit and technologies to the underserved in a faster and more efficient way than even governments (Thompson, et al., 2000 as quoted in Ellis, et al., 2012).

1.2. Statement of the problem

Social enterprises have been referred to as a modern approach to social value creation (Brooks, 2009). Despite the highly publicised success of social enterprises such as Grameen Bank² and the growing interest from practitioners, policy makers and researchers, the theory and understanding on social enterprise has lagged behind practice (Ellis, et al., 2012).

There is a large gap in the literature concerning social enterprises in Kenya and not much has been published on this subject. Even so, initial desk research revealed that there is significant evidence that such organisations do exist, especially in developing countries like Kenya, where agriculture is the mainstay.

With the ever expanding role of social enterprises globally, this research aims to build awareness of the role that social enterprises play in the Kenyan agricultural sector. It also aims to investigate the factors that influence social enterprise development and recommend unexplored opportunities for stakeholders involved in the Kenyan social enterprise space.

1.3. Research Questions

In determining the role that social enterprises play in enhancing agricultural productivity in Kenya, the analysis will be guided by the following questions:

- i) What are the challenges that hamper productivity in Kenya's agricultural sector?
- ii) How do social enterprises address Kenya's agricultural sector challenges?

In investigating the factors that influence social enterprise development, the analysis will be guided by the following questions:

- iii) What challenges do agricultural social enterprises face in fulfilling their role?
- iv) What support is available for such social enterprises in the Kenya?

1.4. Research Objective

In answering the research questions outlined above, the study sets out to:

- i) Determine challenges facing the agricultural sector in Kenya

² A social enterprise set up by Professor Muhammad Yunus in 1976 in Bangladesh to provide access to affordable micro-credit to poor rural inhabitants so that they could expand their trades giving them a stepping stone out of poverty (Brooks, 2009).

- ii) Determine the solutions offered by social enterprises in addressing the challenges that hamper agricultural productivity in Kenya
- iii) Determine how the agricultural social enterprises apply the determined solutions
- iv) Explore the challenges that these social enterprises face in fulfilling their roles
- v) Explore the support structures available to agricultural social enterprises in Kenya

1.5. Importance of the study

The study is justified by the following reasons:

- i) By providing a stock of the different agricultural social enterprises and the roles that they play, the research will not only create awareness about the sector and highlight the importance of the sector; stakeholders will also be able to determine how they can leverage these organisations to bolster agricultural production.
- ii) By determining the factors that influence the growth and development of agricultural social enterprise, support organisations will be able to determine how to provide better support.

1.6. Adopted social enterprise definition

Although disparities exist in the definition of social enterprise, according to Brooks (2009), majority of the definitions encompass one or all of the following concepts:

- i) “Social enterprises address social problems and needs that are unmet by the private markets or governments;
- ii) they are primarily motivated by social benefit; and
- iii) they work with and not against market forces” – meaning that although they primarily aim for social benefit, they seek to be financially sustainable by applying business principles to solve the social problems and needs.

See **section 2.2** for more information on the nature and definitions of social enterprises.

1.7. Layout of study

Having put the study into context and explained its importance as well as the objectives to be covered, chapter two will evaluate existing literature based on the objectives that have been identified for the study; chapter three will define the methodology applied in the study; chapter four will offer the results of the study; and chapter five will conclude and present recommendations from the study's findings.

CHAPTER TWO

2. LITERATURE REVIEW

2.1 Introduction

This chapter reviews the work of researchers that have carried out research related to social enterprises and their role in agriculture. It introduces social enterprises by examining their nature and definition as well as their emergence and development in the world, Africa and Kenya. It then probes into the various roles social enterprises have been known to play in agriculture around the world, the challenges that have been reported as well as the support that is said to be received by such social enterprises. The chapter concludes by giving an account of the different challenges hampering agricultural productivity in Kenya; as these could potentially be solved by social enterprises.

2.2 Nature and definition of social enterprises

The concept of social enterprise is said to have been in existence for centuries before it gained prominence in the 1980's when the term 'social entrepreneur' was first intentionally used in the works of Bill Drayton, the founder of Ashoka – a non-profit organisation that seeks to support entrepreneurs seeking to bring social change globally (Smith & Nemetz, 2009). Most recently, Muhammad Yunus was awarded a Nobel Prize in 2006 for his social enterprise efforts in the establishment of Grameen Bank – a bank for the poor in Bangladesh (Smith & Nemetz, 2009). Examples of other widely known social entrepreneurs include Victoria Hale, who founded an organisation that addresses the need for affordable pharmaceuticals in developing nations (One World Health) and Jim Fruchterman, an engineer who designed technology that allowed computers to read printed text to the visually impaired (Dees, 2007 & Fruchterman, n.d.).

Despite receiving growing recognition and significant study (Smith & Nemetz, 2009), the definition of social enterprise remains an area of great contention (Kucher, 2012). According to 40 different social enterprise definitions analysed by Dacin (2010), an entrepreneur is defined as a person who is able to identify a need or unpleasant situation as an opportunity to bring about change. He applies his inspirational leadership to courageously and directly address the problem at hand using innovation and business principles until a solution is

created (Martin & Osberg, 2007). The most prominent distinguishing factor between an ordinary entrepreneur and a social entrepreneur is the value proposition (Martin & Osberg, 2007). The ordinary entrepreneur's value proposition seeks to provide services and solutions to viable markets in order to generate profits. On the other hand, a social entrepreneur's primary motive is to create social value by offering valuable goods and services that have transformative large-scale impact to the neglected, underserved and extremely disadvantaged members of the society (Austin, et al., 2006).

With regards to the operations and resources in a social enterprise, Martin & Osberg (2007), Austin, et al. (2006) and Smith & Stevens (2010) all agree that social entrepreneurs may choose to operate either as a not-for-profit or as a for-profit venture or create a hybrid model combining the two. Moreover, although social service vehicles and social activism ventures do contribute social value as their primary motive, they must not be mistaken for being social enterprises (Martin & Osberg, 2007) as they do not satisfy the entrepreneur definition. Both these organisations are heavily dependent on resources that they are able to attract as opposed to generating their own through business principles.

The social enterprise definition outlined in section 1.6 is based on these distinguishing factors being: addressing social problems with social benefit being the main value proposition, while applying business principles to pursue financial sustainability. These criteria were used for identifying the social enterprises that were interviewed for this study.

2.3 Development of social enterprises

Having assessed the definition and nature of social enterprise, it is useful to determine their origin and development over time, in the world, in Africa and in Kenya. The preceding analysis on the definition of social enterprise indicated that the common objective behind all social enterprises is to provide solutions for social needs or problems. Various approaches for addressing social problems have been utilised over time. Dees (2007) identifies charities, government aid and Non-governmental organisations as the main problem-solving approaches utilised over time. According to him, analysing these different problem solving approaches will eventually reveal how social enterprises came about.

2.3.1 Emergence and development of social enterprises

Historically, societal problems, primarily poverty, were addressed through charities organized by churches. These platforms encouraged givers to display their virtue by helping the poor. Leading political thinkers then criticized this method as ineffective. It was argued that not only did charities offer temporary relief; they did not reach all that were in need. Worse still, it exacerbated the problem by encouraging dependency rather than industriousness in the poor. The state was then recommended as a more rational approach to resolving social problems where the market had failed to address such problems (Smith & Nemetz, 2009).

There has been overwhelming evidence of government based efforts in solving societal issues in the last two centuries. For instance, government programmes have proved successful in expanding access to health services and education. Similarly, shortcomings such as fraud, bureaucracy, wastefulness and abuse of power, among others, have also been observed. The government is suitable in tackling certain societal issues but may lack efficiency and even be constrained in resources when it comes to tackling all issues effectively. The recent rise in social enterprise is viewed as a non-governmental effort to address social issues that are not addressed effectively by the state. These non-governmental organisations bring resourcefulness, innovation and determination found in business entrepreneurs, to the quest of tackling societal problems (Dees, 2007). According to Poon (2011), these type of non-governmental organisations first emerged in the USA before the concept was transferred to Africa..

Modern day social enterprise developments started taking place in the 1970s during the time of high oil prices which led to an economic downturn in the US (Poon, 2011). The Reagan administration at the time had to implement extensive budget cuts that resulted in social welfare spending cuts to the tune of \$38 billion between 1970s and 1980s. This cut also resulted in reduced government funding for non-profit non-governmental organisations that had stepped in to address societal needs that the state could not address effectively even prior to this period, as suggested above. Consequently, societal needs were neglected due to reduced state intervention, and competition for funding by Non-Governmental Organizations (NGOs) increased. This prompted a shift towards the adoption of business models for revenue generation. In this way NGO operations aimed at addressing societal problems would remain sustainable and continue to provide solutions to societal needs. Hence, social enterprise as previously defined came into play.

2.3.2 Emergence and development of social enterprises in Africa and Kenya

Social enterprise emerged in Africa during the same era, also as a result of the state withdrawing from intervening in societal issues. The 1970s economic crisis (world recession) saw the restructuring of policies accompanying foreign aid accorded to Africa through governments. As a result, the Structural Adjustment Programmes (SAPs) were introduced between the 1980s and the 1990s to hasten market reforms and reduce fiscal imbalance in aid recipient nations. Adoption of these policies had a detrimental impact on many African countries. Social-economic problems rose with the reduction in government intervention because of the instituted deregulation, state budget cuts and privatization. Moreover, it resulted in local enterprises not being able to compete with multi-national firms once trade markets were deregulated. This resulted in mass firm failures, a phenomenon that further destroyed livelihoods. In Kenya, SAPs promoted market liberalisation and price decontrols that resulted in the decline of the agricultural service institutions among other things (Alila & Atieno, 2006). The resulting decline in agricultural productivity growth during this period (1980s - 1990s) is portrayed in **Figure 1**. As was the case in the USA, NGOs already dealing with the increased societal issues in Kenya and the rest of Africa expanded rapidly and had to move toward social enterprise models for sustainability.

2.3.3 Social enterprise space in Kenya

This section shall explore how social enterprises came into being in Kenya as well how they are legally categorised in Kenya.

2.3.3.1 Background of social enterprise in Kenya

Since the 1990s, the social enterprise movement has tremendously grown in Kenya. Among other factors, the increased focus in corporate social responsibility by the private sector and the growth in impact investing portfolios have spurred increased growth in the social enterprise movement by allowing traditional investors to inject funds into social enterprises. Founders of social enterprises include both local and foreign players (Amani Institute, 2013) and apart from operating in the agricultural sector, social enterprises have emerged in health and sanitation, education, environment, energy, manufacturing and financial services (Adwera, 2011 & The Gobe Group, 2014). Moreover, to facilitate social enterprise

development in Kenya, globally acclaimed industry support leaders such as Acumen Fund, Ashoka and Schwab Foundation have all set up shop in Kenya's capital.

2.3.3.2 Policy and regulation governing social enterprises in Kenya

There is no distinct policy that governs social enterprises in Kenya. Majority of national policy and regulation consider business enterprises but make no mention of social enterprises and hence do not target social enterprises or seek to facilitate their development. Therefore, social enterprises depend on policy and regulation governing existing organisational structures to fulfil their missions. This means that they have to conform to policy and regulation governing either for-profit or NGOs /not-for-profit organisations.

However, although not directly targeted, social enterprises are likely to have benefited from The Government of Kenya's committed to creating an enabling environment for the private sector and in particular entrepreneurship and local enterprise development. This is demonstrated through its commitment to goal five of the Private Sector Development Strategy (PSDS) 2006-2010, which the Ministry of trade and industry was responsible for coordinating and implementing. The objectives included: (Ministry of Trade and Industry, n.d.);

- i) Facilitating development of new enterprises
- ii) improving access to capital;
- iii) facilitating the graduation and evolution of enterprises;
- iv) promoting firm-to-firm linkages; and
- v) promoting broader MSME representation in business associations.

With respect to the above mentioned objectives, the following are some of the initiatives the Ministry of trade and industry has managed to accomplish (Ministry of Trade and Industry, n.d.).

- vi) Facilitated regulatory reforms to allow easier licensing processes for start-ups;
- vii) ensured drafting and enactment of the Microfinance Act of 2006 and Savings and Credit Co-operatives (SACCOs) Act of 2008;
- viii) established the Micro, Small and Medium Enterprise (MSME) competitiveness project which is aimed at enterprise development;
- ix) establishment of the SME solution centre; and

- x) built capacity within Kenya Private Sector Alliance (KEPSA) to enable it to effectively represent local MSMEs.

Apart from the Private Sector Development Strategy 2006-2010, the desktop research undertaken at his point did not uncover information on any other fundamental and more up to date policies and regulation that could play a part in the support of social enterprise in Kenya's agricultural sector.

2.4 Role of social enterprises in addressing challenges that hamper agricultural productivity

Due to the lack of literature exploring the role of agricultural social enterprises in Kenya, a study from Thailand was explored. Ellis, et al. (2012), using a case study on long-established agricultural social enterprises in Thailand, recognised that agricultural social enterprises served as a market-driven mechanism for facilitating adoption of technologies in agriculture and promoting the welfare of farmers. Social enterprises are seen to effectively and sustainably provide agricultural technologies such as mechanization, improved crops, risk mitigation and even access to knowledge and skills in soil conservation, new farming techniques, water management and use of fertilizer and insecticides. Such technologies address some of the challenges that hamper agricultural productivity in Thailand and ultimately improve farmer welfare.

2.5 Common challenges faced by social enterprises in fulfilling their role

In playing their role of promoting agricultural activity, one would expect that social enterprises are faced with certain challenges. While it was not possible to find works that focus on those challenges experienced by agricultural social enterprises only, there is extensive literature on challenges experienced by social enterprises overall.

Rajendhiran & Silambarasan (2012) conducted an exploratory research project focussing on the different challenges faced by the social entrepreneurs. Through in-depth interviews and structures questionnaires, they discovered raising of funds, acquiring skilled employees, acquiring technologies and gathering support from family and friends as the major challenges faced by social entrepreneurs. Dalberg consultants (2011), through interviews with 65 social enterprises across the globe, also revealed an overwhelming consensus that finances and maintaining skilled and motivated staff are the top challenges faced by social enterprises. The

issue of sustaining employees was once again mentioned as being a major challenge by Talbot, et al., (2002) as cited in Benevolent Society (2013).

More unique to social enterprises is the additional complexity brought on by having both financial and social priorities unlike ordinary businesses. The risk of mission drift, because either the struggle to meet financial goals is overwhelming while still sustaining a social objective, can threaten the business model (Cohen, et al., 2008; Seedco Policy Centre, 2007); unrealistic financial expectations as most social entrepreneurs do not realise that most social enterprises need financial support for several years before they can break even and even then it can take several more years before they can turn profitable (Cohen, et al., 2008); also, lack of business acumen such as in the case where social entrepreneurs do not know how to properly determine financial performance (Foster & Bradach, 2005) can jeopardise the sustainability of a social enterprise. Results collected by Dalberg (2011) corroborate the challenge of mission drift by indicating that non-profit type social enterprises are more likely to suffer from a problem of focussing on their mission than for-profit social enterprises.

Others challenges that were mentioned but uncommon across the board were maintaining poor product quality, competition from others, difficulty in getting expert assistance and developing business solutions, conflict in the region of operation and lastly convincing policy makers, legal and tax implications can prove to be burdensome for social enterprises especially in cases where social enterprises are not specifically recognised (Talbot, et al., 2002 as cited in Benevolent Society, 2013; Benevolent Society, 2013; Dalberg, 2011).

Within the Kenyan context, Chege (2009) indicates that most pressing challenges faced by social enterprises are: lack of adequate business development service providers; high cost of funding, rigorous funding requirements; lack of access to equity capital; elevated taxes that are arbitrary and complex; invisible government support for social enterprises; and lack of qualified staff at an affordable cost.

As important as it is to determine the factors that hinder social enterprises from fulfilling their role, it also is also vital to assess the support necessary for them to thrive in fulfilling their role.

2.6 Support necessary for social enterprises to thrive

Proper support structures and strategies need to be in place for any business or cause to thrive. With social enterprises becoming mainstream parts of the business sector across the globe in recent years (Dalberg, 2011), there has been a leap in the support provided to them (Whitley, et al., 2013).

According to Dalberg (2011), the most crucial success factors for social enterprises are the dynamics of the team involved as well as understanding the customer base. Creating networks and strong marketing/ branding techniques were considered less important, but the decision was not as unanimous. 250 delegates who attended the “2013 Inaugural E3M European Conference - Growing Successful Social Enterprise” identified transfer of knowledge and shaping policy around: funding of social enterprises, markets available to social enterprises such as procurement opportunities in public institutions, models used by social enterprises i.e. making models less stringent and complicated, and policy around impact measurement, as the two support factors they mostly required.

Until 2013, there was no comprehensive data on the support available to social enterprises and hence the Overseas Development Institute (ODI) undertook a study to investigate the main features of support for social enterprises among other things. As a result, ODI came up with the Social Enterprise Market Infrastructure (SEMI) framework. The framework encompasses the usual support provided to the social enterprise sector being: (i) supporting development of products and services which involves assisting with market research and development, workshops and trainings on external and internal issues that affect the business enterprise operations; (ii) supporting demand for products or services and access to customers which involves product piloting and testing, social marketing campaigns and other market links, and supply chain development; (iii) supporting access to finance which involves piloting and scaling new types of financing along the entire value chain; and (iv) supporting creation of legal, political and regulatory frameworks which involves assisting with policy research, establishing support groups for advocacy and outreach and establishing assessment procedures. See **Figure 3** below.

Figure 3: Social enterprise infrastructure framework (ODI, 2013)

Social Enterprise Market Infrastructure (SEMI) framework			
Supporting development of products/services (at industry level)	Supporting demand for products/services and access to customers (at industry level)	Supporting access to finance (for all aspects of the supply chain, from social enterprises to distributors)	Supporting creation of legal, political and regulatory frameworks
Market research	Social marketing campaigns and other marketing links to customer base	Piloting and scaling new types of consumer financing	Policy research
Research and development (R&D) and transfer of R&D (technology/products)	Supply chain development (physical infrastructure)	Piloting and scaling new financial instruments (including carbon finance)	Establishment of industry bodies/groups to support coordination, advocacy and outreach
Workshops or training on external issues: navigating statutory and regulatory requirements and accessing finance	Supply chain development (distribution channels etc.)	Working capital facilities (for distributors, etc.)	Establishing industry/product standards
Workshops or training on internal issues: human resources, governance business processes and operational tools	Product piloting or testing with consumers		Establishing assessment or monitoring and evaluation procedures (including ratings etc.)

Having examined the support required by social enterprises to thrive, one may question how institutions promote agricultural productivity in the Kenya. The following section will examine the challenges that contribute to low agricultural productivity in Kenya before analysing findings to discover the different strategies take by social enterprises to mitigate some of these challenges, as well as the support structures that are in place for social enterprises in Kenya.

2.7 Agricultural sector challenges in Kenya

Despite agriculture being critical for the Kenyan economy and Kenyan’s livelihoods previously discussed in Chapter One, several constraints that inhibit agricultural productivity remain. These major challenges are classified into three categories being: those related to institutional arrangements; those related to production and processing constraints and those related to producer market linkages.

2.7.1 Institutional arrangement challenges

- **Unfavourable macro-economic environment:** Rigorous borrowing requirements, high lending rates, a volatile and overvalued currency are attributed to suppressing investments in the agricultural sector (Gitau, et al., 2008).
- **An outdated legal and regulatory framework:** Inadequate policies constrain rather than developing the agricultural sector. Moreover, liberalisation associated with SAPs

in the 1980s was not accompanied by suitable regulatory frameworks to sustain the agricultural sector, and some of these frameworks still remain (Gitau, et al., 2008).

- **Lack of coherent land policy:** Current land policy is said to be incomprehensive as it does not properly govern aspects such as land use and administration. Not only has this resulted in little incentive to develop owned land because of ownership uncertainties (Gitau, et al., 2008), it has further contributed low productivity due to subdivision of land into small units thus reducing its economic viability (Ministry of Agriculture, 2011).
- **Poor governance and weak capacity:** Corruption has resulted in the collapse or weakening of vital institutions such as cooperatives which are essential for achieving economies of scale for farmers in obtaining inputs and credit as well as marketing outputs. Moreover, withdrawal of government support for agricultural service institutions in the 1980s left a gap that the private sector did not have the capacity or incentive to fill.
- **Multiple taxes:** It is said that farmers are subjected to taxes from both local authorities and government departments, which results in reduced incomes without much improvement to local authority revenues (Gitau, et al., 2008). Such little reward for their effort may discourage greater investments necessary for higher agricultural production.
- **Incomplete liberalization:** Although the agricultural sector has been undergoing liberalization in the last 10 years, liberalization of coffee, sugar and pyrethrum is yet to be completed. This leaves such industries with great uncertainties that once again discourage further investment (Ministry of Agriculture, 2011).
- **Women not represented:** Representation of women in the decision making process is not proportional to their population (Ministry of Agriculture, 2011). This is despite them contributing to 60 to 80% of labour in the agricultural sector (GOK, 2010).
- **Insecurity in various parts of the country:** Tribal disputes in various parts of the country result in displacement of agricultural communities contributing further to unsustainable agricultural development. For instance, the North eastern province and sections of the Rift valley and Coastal province are prone to community raids and cattle rustling that result in such displacements (Ministry of Agriculture, 2011).

2.7.2 Production and Processing Challenges

- **High cost of key inputs:** High costs of seed and especially fertilizer result in farmers using substandard inputs that result in low yields. The high cost is also enhanced by poor transport and distribution networks as in such cases the transport costs, which are added to the cost of the product, increase (Gitau, et al., 2008).
- **Lack of access to affordable credit:** Among other uses, credit is required by a farmer to expand production or even sustain production where he did not manage to generate income in the previous farming cycle. Suitable farming credit can therefore catapult production at the very least sustain a farmer's production and livelihood. Mismanagement and political interference has resulted in the collapse of various financial institutions responsible for providing affordable agricultural finance to farmers. Although MFIs have risen to fill this gap, the credit provided is mostly short-term that do not match planting cycles and the associated effective rates are very high. Moreover, they are not widespread and only a small proportion of farmers are served (Gitau, et al., 2008).
- **Reduced effectiveness of extension services:** Extension services are not as common. Besides that, their success has dwindled. This is attributed to poor training, inappropriate methods and reduction of budgets and human resource in concerned ministries (Gitau, et al., 2008).
- **Low absorption of modern technology:** Growing weather unpredictability and limited resources such as land, among others, has necessitated the utilisation of farming technologies to cope with such and even boost production further to accommodate the growing population. However, utilisation of modern science and technology in production in Kenya is limited. Moreover, available research is not demand-driven and this further hinders adoption (Gitau, et al., 2008).
- **Frequent droughts and floods:** Agriculture in Kenya is highly dependent on the two rain seasons. In fact, there are two cropping seasons corresponding with the bimodal rainfall, in most parts of Kenya (GOK, 2010). Over the last three decades the horn of Africa has experienced major drought and floods due to climatic changes. As would be expected, these have resulted in crop failure and livestock losses (Gitau, et al., 2008).
- **Pests and diseases:** Poor handling or poor storage facilities may contribute to poor pest and disease control, resulting in pre-harvest as well post-harvest destruction.

Farmers may be excluded from better controls because of financial reasons or lack of information, the latter being a failure of extension services (Gitau, et al., 2008).

- **High incidence of HIV and AIDS, malaria and water-borne and zoonotic diseases:** As would be expected, high incidences of the mentioned chronic diseases results in loss of productivity in agriculture through weakening agricultural personnel in households or resulting in their death. (Gitau, et al., 2008).
- **Gender-based constraints:** Discrimination against females, such as beliefs that only males should own land, is said to reduce productivity by almost 20% (Ministry of Agriculture, 2011). Men are said to have considerably higher access to land, credit and extension services as compared to their female counterparts (GOK, 2010).

2.7.3 Producer to Market Linkage Challenges

- **Inadequate markets and marketing infrastructure:** Inadequate markets and infrastructure means that a farmers produce is not eventually converted into income, which is the ultimate goal. It is all characterised by the fragmentation and small size of the domestic market as well as poor organisation of agricultural marketing information and infrastructure (Ministry of Agriculture, 2011).
- **Poor infrastructure:** Underdeveloped and poor roads results in the poor or expensive distribution of both farming inputs and outputs, ultimately making the Kenyan farmer uncompetitive. Moreover, poor access to electricity in rural areas discourages use of technology such as in irrigation, storage or even processing, which may result in higher returns (Gitau, et al., 2008).
- **Unfavourable trade conditions:** The decline in world commodity prices stifles farmers' incomes. Moreover, both tariff and non-tariff barriers implemented by developing countries adversely affect agricultural exports (Gitau, et al., 2008). Other conditions may be extremely stringent sanitary conditions (Ministry of Agriculture, 2011).
- **Lack of storage and processing facilities:** Lack of stotage and processing results in the waste of surpluses instead of saving for drought seasons. It also limits marketability of perishable produce (Ministry of Agriculture, 2011). For instance, underdevelopment of the fishing industry in the Lake Region and Mombasa can be attributed to minimal investment in processing and fish storage facilities.

- **Inadequate quality control infrastructure:** Export of agricultural products from Kenya to other countries has often been restricted due to goods not meeting the specified requirements. This could be because they were damaged because of poor handling or merely poorly packaged (Ministry of Agriculture, 2011).

The following chapter will discuss the methods and procedures that were used to carry out the study.

2.8 Chapter summary

Based on previous works, it was uncovered that although disparities exist in the social enterprise definitions, majority of the definitions touch on the fact that social enterprises are set up with the main motive being to cater for a certain social gap at large scale while applying business principles to attain and maintain sustainability. Social enterprises have been in existence for centuries before they gained prominence in the 1980's when the term 'social entrepreneur' was first intentionally used. They later spread from USA to Kenya through NGOs that sought sustainably in addressing societal issues brought about by SAPs in Kenya and Africa at large.

Moreover, previous works showed that social enterprises have been known to contribute to agricultural productivity by addressing certain challenges in the worldwide agricultural sector through providing agricultural technologies such as mechanization, improved crops, risk mitigation and even access to knowledge and skills in soil conservation, new farming techniques, water management and fertilizer and insecticides.

To achieve their social enterprise goals, it is clear from previous works that social enterprises worldwide have encountered both challenges and support from various bodies. The challenges discussed include difficulties in obtaining funding, skilled and motivated staff and technologies; lack of government support; difficulties in balancing both social and business goals; and even lack of business acumen and business solution support. Nonetheless, there is known to be support for social enterprises and it comes in the form of four identified categories being supporting development of products and services, supporting demand for products or services and access to customers, supporting access to finance, and supporting creation of legal, political and regulatory frameworks.

In the context of the Kenyan agricultural space, previous works were reviewed to determine the potential challenges that social enterprises could solve through their solutions in order to

boost productivity. The challenges are categorised into included institutional arrangement challenges, production and processing challenges and producer to market linkage challenges.

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers the methodology and procedures that were used for collecting and analysing data pertaining to the study. The chapter will describe the type of research conducted, the target population, the sampling design, the sampling unit, the sampling methods, the method of data collection and the type of data analysis.

3.2 Type of Research

This is an exploratory, qualitative, inductive study. The purpose of the study is to be exploratory. Exploratory research usually involves a small sample size as its objective is to be the first phase of a larger study. Hence, in this case, it may not yield definitive answers but will provide a basic initial understanding on how social enterprises can serve as mechanisms for enhancing agricultural productivity. The research may then serve as a basis for conducting a more extensive related study (Motelle, 2014).

Exploratory studies can encapsulate both qualitative and quantitative data collection methods (The Pennsylvania State University, 2010). The nature of the research problem determines which of the two data collection methods to pursue. As explained in section 1.2, the study aims to build awareness on the experience of social enterprises playing a role in Kenya's agricultural sector. It aims to investigate the roles they play, the challenges they face, and the support they are given, as well as shed a light on unexplored opportunities in their concerned space. All these are determined by the experiences different agricultural social enterprises have had and this would be difficult to quantitatively determine or measure (Strauss & Corbin, 1998); hence the qualitative approach.

There are many processes of carrying out research. The one followed in this study is defined as inductive research. According to Francis Bacon who is recognised as one of the founder of scientific thinking and is known for his emphasis on induction, induction is "the use of direct observation to confirm ideas and linking together of observed facts to form theories or explanations of how natural phenomenon work." (Patton, 2002), Inductive research is also

known as theory-building research. It infers theoretical concepts and trends from the observed/ collected data (Mottelle, 2014). See more on in section 3.7

3.3 Method of Data Collection

As previously mentioned, The data analysed for this study was collected as part of a wider study, ‘A case study of health and agriculture social enterprises in Kenya’, commissioned by the Overseas Development Institute (ODI) and implemented by the Bertha Centre for Social Innovation and Entrepreneurship at the University of Cape Town Graduate School of Business. The writer of this study was part of the team that collected and published the case study from the data analysed this study.

The data was collected via in-depth, semi-structured interviews. Semi-structured interviews are usually planned for a location and time outside normal routine events. They usually rely on a set of pre-determined open-ended questions but open to other related questions that flow from the dialogue between the interviewer and respondents. They can take half an hour to several hours and are said to be the most common form of interviewing format for qualitative research (Crabtree & DiCicco–Bloom, 2006). The reasons for these are that the standardized nature of semi-structured interviews allows one to address specific issues especially where a researcher is commencing the research with a very clear focus. Also, they allow for replication of the interview process and comparability of responses (Bryman & Bell, 2015). Woods (2011) describes the benefits as being reliability of data because of the standardisation of some of the questions, while the flexibility of the method allows one to be able to ask relevant spontaneous questions as participants are allowed to express themselves more freely.

To facilitate this, structured questionnaires were designed based on emerging issues that emanated from a scoping desk research on social enterprises that operate in the Kenya and globally. To cover the objectives described in section 1.4, the study aimed to interview social enterprises as well as other organisations within the agricultural social enterprises space being: government policy and regulatory organisations and other social enterprise support organisations. The questions posed to social enterprises focused on their mission, nature of work, organisational structure, achieved impact, challenges faced and support received. Those posed to social enterprise support organisations focused on their objectives, the support they offer, organisational structure, their challenges, a description of the social enterprise ecosystem in Kenya and current opportunities. Lastly, questions to government

policy and support organisations focused on their objectives and approach, their knowledge of the social enterprise space in Kenya and the support they offer to them. See appendix B for the list of the actual interview questions.

While majority of that data collection was via in-person interviews, additional follow-up interviews were conducted via telephonic means. Interviewers took field notes during the interviews and the interviews were digitally recorded. Transcripts were later developed from the recordings. The initial data collection was done in the last two weeks of November 2013 and the additional data was collected in October 2014 via interviews with three other agricultural social enterprises and a panel discussion. This assisted in filling some gaps by increasing the sample size and by diversifying it through including farmers that had interacted with social enterprises. It also confirmed some of the findings from initial interviews. In total, the information analysed was collected from ten agricultural social enterprises and thirteen support organisations of which eight are agriculture specific, three are government ministries or agencies and two are universities. The panel discussion, ‘Can mAgric Solutions Improve Productivity of the Agricultural Workforce’, included social entrepreneurs, farmers and support organisations. It was organised by ihub, an innovation lab, in Nairobi. See the list of interviewees in appendix A. The writer also utilised secondary data which includes the websites, leaflets provided and observations made by the parties involved in the primary data collection.

3.4 The target population

In order to achieve the objectives set in **section 1.4**, the research team involved in the study determined that social enterprises, dedicated social enterprise support institutions, and wider agricultural support institutions (both in the public and private sector), would be best equipped to inform this study.

The study aimed to interview founders of the various social enterprises and support organisations, or top ranking officials that were well versed with the day today running of the organisation. In government policy and regulatory organisations, the study aimed to speak to officials in charge of supporting the entrepreneurship docket as there was no specific social enterprise support docket.

3.5 Sample frame

As the study is specific to the Kenyan agricultural social enterprise space, the said institutions had to operate in Kenya. Because of funding and limited time constraints, the research team could only interview organisations operating in Nairobi, Kenya's capital, or those that had offices in Nairobi despite operating in other parts of Kenya. These were the organisations termed accessible for the purpose of the study.

3.6 Sampling Method

The sampling procedure incorporated two methods of sampling. Once again because of the time and budget limits, the study used convenience sampling. All the organisations that had been identified during the desk research were contacted to take part in the interviews. East Africa Social Enterprise Network (EASEN), a contact partner on the ground, also called up social entrepreneurs in their network. The organisations that responded on time were the ones included in the interviews. Although convenient sampling is described as the least costly technique in terms of time money and even effort, it may lead to poor quality data (Marshall, 1996). As qualitative research normally focusses in depth and relatively small samples, it is important to be strategic by purposefully selecting information rich cases yet this is not the case with convenient sampling and hence the risk of poor quality data (Patton, 1990).

To increase the quality of the data by yielding crucial information, snowball or chain sampling was incorporated. This technique allows for identifying information rich informants by inquiring from well-suited people who to collect information from. Those recommended by a number of different respondents identified through the prior technique – convenient sampling, stand out as being important sources to speak to in order to collect valuable data. Snow ball technique was applied while the researchers were in the field and the final days of the research visit were dedicated to meetings with the recommended respondents (Patton, 1990). Having determined how and from whom data was collected, the net section will explore how the data analysis was performed.

3.7 Type of Data Analysis

Interview field notes and transcripts were analysed via a process known as thematic coding, which is a method of finding, evaluating and reporting patterns (themes) within data by focussing on identifying both implicit and explicit ideas within the data (Guest, et al., 2012 &

Braun & Clarke, 2006). Thematic analysis is most useful for capturing complexities within textual data set and it is the most commonly used method of qualitative research analysis (Guest, et al., 2012).

A theme or pattern captures something important about the data in relation to the research question (Braun & Clarke, 2006). To identify emerging themes, the researchers took an inductive approach as mentioned in section 3.2. An inductive approach means discovering themes from ones data through an analyst's interaction with the said data rather than analysing the data based on a pre-defined (Guest, et al., 2012) coding framework as is the case with deductive analysis (Patton, 2002 & Braun & Clarke, 2006).

Typically, codes are developed to represent the identified themes in the data (Guest, et al., 2012). A code can be in the form of a word or a short phrase that captures an idea relayed by certain sections of the data. The codes are then codified, a process that classifies and organises similar codes into categories/ families because they share certain characteristics. Consequently, patterns in the data begin to form. An analyst should expect to apply meticulous attention to language and deep reflection which will likely result in many cycles of re-coding and re-categorisation to arrive at a refined analysis. In the end the analyst is able to arrive at refined patterns that provide insights which answer the related research questions and are backed up by the collected data (Saldana, 2009).

Having determined how the analysed data was collected, the next chapter will present the results and findings of the study.

3.8 Chapter summary

It was determined that the research type is of exploratory, qualitative, inductive nature. Both primary and secondary data was assessed. The primary data was obtained via in-depth, semi-structured interviews, while secondary data included websites and leaflets. The target population and frame applied focused on social enterprises, dedicated social enterprise support institutions and the wider enterprise support institutions found within Nairobi. The organisations were selected via convenient sampling and snow all sampling techniques. The type of data analysis employed is thematic analysis.

CHAPTER FOUR

4. DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter contains the results of the research. As previously mentioned, the analysis considered information collected from ten agricultural social enterprises, twelve support organisations of which seven are agriculture-specific and a panel discussion between the different agricultural social enterprise stakeholders. The findings are interpreted in respect to the five research objectives and are paralleled to the literature review.

4.2 Agricultural social enterprises are set up to address a challenge in Kenya's agricultural sector

From discussions with the different SEs, it was clear that the challenges in Kenya's agricultural sector (as outlined in **section 2.7** above) serve as the main motivation for setting up the different social enterprises in the first place. Some social entrepreneurs were driven by the challenges experienced by their own families who are small scale farmers while others, who are not even of Kenyan origin, were simply driven by the plight of small scale farmers in Kenya.

“My parents had a farm.... they used to do Irish potatoes but they never knew the market to sell the products so they used to sell to middlemen. ...The middlemen would promise to buy the goods at a certain price but then lower the price once my mother had already harvested and prepared the produce. She had no choice but to sell at the lower price so that she would not incur a post-harvest loss as the produce was already harvested.”

Social enterprise founder

Initially, the key challenges the interviewed social enterprises set out to mitigate were the high cost of key inputs, poor quality of key inputs, frequent droughts and floods, pests and diseases, lack of access to affordable credit, low absorption of modern technology, inadequate markets and marketing infrastructure, unfavourable trade conditions (where exports are concerned) and the reduced effectiveness of extension services to farmers. All the mentioned challenges apart from the challenge of poor quality of key inputs were uncovered

by the literature review. Moreover, it came across that apart from one social enterprise that had a wide mandate (addressing more than one challenge) from the beginning, each of the other social enterprises aimed to address only one of the above challenges.

4.3 Agricultural social enterprise mandate has grown

Although the mentioned challenges were the key drivers for these social enterprises, they have managed to address a wider scheme of challenges through diversifying their actions, which is considered necessary for achieving ultimate success –see **section 4.6.1**. Many of the social enterprises have extended their role to include mitigating more than one of the challenges mentioned as well as others such as poor infrastructure, lack of storage and processing facilities and the younger generation’s averseness to agriculture; a challenge that was not uncovered by the literature review but came across during the interviews as a key challenge for the agricultural sector.

4.4 Agricultural Social enterprises mitigate two of the three categories of challenges

The literature review uncovered that three categories of challenges exist in the Kenyan agricultural sector. These categories are institutional arrangement challenges, production and processing challenges and producer to market linkage challenges. Of the three categories, the interviewed social enterprises only cover the challenges that fall under production and processing challenges and producer (see section 4.5.1 to 4.5.7) and market linkage challenges (see section 4.5.8 to 4.5.11) but do not intervene in institutional arrangement challenges such as an unfavourable macro-economic environment, an outdated legal and regulatory framework, lack of coherent land policy, poor governance and weak capacity of vital institutions, multiple taxes, incomplete liberalization in the agricultural and the fact that women are rarely represented in decision making processes despite making up majority of the population involved in agriculture and insecurity in various parts of the country.

4.5 Ways in which social enterprises mitigate agricultural sector challenges

Having established that social enterprises play a role in mitigating the challenges faced by Kenya's agricultural sector, the following sub-sections shall explore the different techniques employed by social enterprises in mitigation each of the above mentioned challenges. The examples given focus on the specific techniques each social enterprise applies in the mitigation of each mentioned challenge. It should be noted that the examples are not exhaustive.

4.5.1 High cost of inputs

Small scale farmers faced, who are often very poor, are often unable to afford vital inputs necessary for productive farming. It was mentioned that because of poverty, many small scale farmers often re-use seeds from the initial harvest (Hanson & Daniels, 2013); leading to poorer and poorer productivity each season after the next. Moreover, such farmers are often afraid to experiment with higher yielding farm inputs such as improved seeds and fertilizer. The investment is very real compared to fuzziier longer-term benefits that may not be realised. Moreover, in many cases, such improved inputs are packed in quantities aimed at wealthier large scale farmers and are hence unaffordable to small scale farmers that would be willing to purchase them (Wangui & Jumah, 2013). All these factors result in small scale farmers having poor yields which is equates to low agricultural productivity for Kenya as small scale farmers contribute 75% of the agricultural output and approximately 70% of marketed agricultural produce (ASCU, 2012).

To mitigate the said challenge in order to boost agricultural productivity, Sidai, through collective bargaining, negotiates prices on behalf of its franchises and delivers to remote franchises. This ensures that the cost of the products is low and that the transport component, which can be very expensive for remote agrovet dealers, is not transferred to the customer. One Acre Fund also obtains the farming inputs at wholesale and sells them to farmers in smaller, cheaper quantities. Plant a Fruit cross subsidises by supplying free seedlings to primary schools while selling seedlings to the public at a slight premium to ensure sustainability.

4.5.2 Poor quality of key inputs

It has been common practise for many agrovets shops in Kenya to be run by unqualified sales people who are usually not trained in veterinary practices. One of the reasons for this is that it is too expensive to hire a veterinary to manage an agrovet. Furthermore, for many, agrovet shops are aimed at maximising profits rather than providing quality products. Therefore, it is not uncommon for such shops to be stocked with the cheapest products, which are usually of poor quality; and for the person recommending the products to have no qualification, thereby increasing the likelihood of misdiagnosis and consequential losses. The proliferation of such occurrences motivated the setting up of Sidai which aims to provide quality products and qualified advice to livestock keepers across Kenya (Wainaina, 2013).

4.5.3 Lack of access to affordable credit

Rural small scale farmers and especially subsistence farmers who usually have no or have very low additional income are usually not able to secure loans from typical channels (Robinson, 2013). K-Rep group, the founders of Juhudi Kilimo, noticed that although majority of Kenyans are found in rural areas and practice agriculture, more than two-thirds of them did not have access to financial services. Therefore, they set up Juhudi Kilimo to provide loans and financial training to farmers in 2004 and it has since achieved sustainability. It provides asset financing instead of traditional financing to ensure that farmers boost their agricultural productivity by investing the borrowed money in income generating assets. This also ensures that the farmers are ultimately 'lifted out' of poverty instead of getting trapped in a recurrent borrowing cycle each time there is a deficit in the household. The income generating assets also doubles as security. The farmers would otherwise not be able to secure the loans and would therefore not qualify to get it (Robinson, 2013).

It is also not uncommon for social enterprises to provide the small scale farmers that they serve linkages to institutions that provide affordable credit. Sidai, One Acre Fund, Kenya Agricultural Commodity Exchange (KACE) and KickStart mentioned doing so or planning to do so. Kickstart and One Acre Fund actually linked their farmers to Juhudi Kilimo, among other providers.

4.5.4 Reduced effectiveness of extension services: trains farmers in good agronomic techniques

The introduction of SAPs in the 1980s saw a decline in agricultural service institutions due to government budget cuts. This meant that essential agronomic training, which was provided to farmers free of charge, was no longer available. Without such skills it is almost futile having quality farming inputs as the inputs would not yield like they are supposed to (Wambugu, 2013). Social enterprises such as Sidai, KickStart, One Acre Fund, Plant a Fruit and KACE have recognised this and they have since set out to provide vital extension services to train farmers in good agronomic practices. Some of these social enterprises send out their personnel to visit farmers in their farms in order to advise and train them. They provide these services free of charge together with the goods and services that they mainly provide.

4.5.5 Low absorption of modern technology

Modern technology, although necessary for higher agricultural yields, is not always affordable to small scale farmers who are usually quite poor. Affordability is not only affected by the initial cost, it is also affected by maintenance costs which can be high. Moreover, modern technology is sometimes not suited for rural remote farmers such as in the case where electricity is required to power them (Redding, 2013).

To counter the above, KickStart sells low-cost, human-powered, mechanical irrigation pumps to empower smallholder farmers in Sub-Saharan Africa. The three characteristics of the pumps respectively ensure that the pumps are affordable for small-scale farmers, they do not require electricity and are therefore suitable for remote rural areas, and that they are cheap to maintain due to their mechanical nature. Such pumps have the potential of enhancing productivity, improving household incomes and, ultimately, sustainably contributing to poverty reduction. They achieve this by equipping small scale farmers to invest in higher value crops that often require irrigation (such as fruits and vegetables), and enabling the farmers to produce crops outside the rainy season when prices are usually at the peak. Studies have shown that irrigation on its own results in an exponential increase in productivity; 300% to 400% increase (Redding, 2013).

4.5.6 Frequent droughts and floods

According to the World Wildlife Fund (n.d.), droughts and floods are becoming more frequent, much longer and more severe due to climate change. Kilimo Salama, meaning 'safe farming', is an innovative microinsurance company designed specifically for Kenyan farmers

but has since been replicated in Rwanda. It initially started as a weather-index based insurance product that compensated farmers when crop failed due to severe weather conditions. It has since moved on to incorporating satellite weather imagery and also provides mortality based livestock cover (Uthayakuma, 2013). Mitigating such shocks prevents small scale farmers from being plunged deeper into poverty and also makes farmers more willing to invest in better quality, higher productivity inputs which are usually more highly priced. Small scale farmers are usually more likely to invest more in the hope of producing more when they are assured that they will receive compensation should their investment fail (Uthayakuma, 2013; Wangui & Jumah, 2013; Hanson & Daniels, 2013). According to Kilimo Salama's impact evaluation survey, insured farmers invest 20% more value in inputs and make 16% more profits than uninsured farmers (Uthayakuma, 2013).

Apart from Kilimo Salama, it could be said that KickStart also assists in mitigating the shock that draught has on small scale farmers by enabling them to irrigate their crop using the mechanical irrigation pumps they provide, therefore increasing the chances of the crop yielding during periods of draught. See section 4.5.5

4.5.7 Pests and diseases

As previously mentioned, the death of livestock can be detrimental to the livelihood of small-scale farming households as it can plunge them further into poverty. This is because it can result in them losing an important source of food for daily sustenance (e.g. milk), or a regular source of income (e.g. milk or egg sales) which is important for sustaining them between planting and harvest seasons when they can finally reap and sell their crop produce (Collins, et al., 2002). Pests and disease can be the biggest contributor of such damaging effects if not managed or prevented.

Certain social enterprises have stepped in to assist with the said risk. Apart from providing quality medicine and pest control methods at affordable prices, Sidai ensures that farmers get the right diagnosis and medicine the first time. Sidai also promotes preventive measures such as vaccination drives that offer a more preventative than curative measure. Another social enterprise, Real IPM, offers biological controlled agents instead of pesticides to mitigate and manage crop pests. These substances are considered less harmful to the persons applying them and the environment as they have no residue. The previously mentioned Kilimo Salama has also piloted livestock insurance which covers farmers against loss should their animals

ultimately succumb to a disease or pest if adequate measures to guard against such had been taken.

It is important to note that in addition to causing death and disease, pests can cause post-harvest losses if the harvested produce is not adequately stored or processed. **Section 4.5.11** shall discuss how social enterprises have stepped in to deal with the challenge of post-harvest losses..

4.5.8 Inadequate markets and marketing infrastructure

The whole aim of assisting small scale farmers is so that they can increase their yields, which should eventually be convertible to cash. There is no benefit in increasing a farmer's productivity only for the produce not to reach the markets or suitable buyers in exchange of a fair compensation for the efforts and inputs applied (Wambugu, 2013). Due to the significance of this stage in the agricultural value chain, many social enterprises have indeed made an effort in providing market linkages either directly or through partners.

For instance, both KACE and SokoNect were set up with the intention of assisting farmers in selling their produce conveniently and at favourable prices by linking them directly to buyers and hence cutting out 'exploitative' middlemen (Kamau & Mwikali, 2013; Monchari, 2014). In both cases, the families of both founders had been exploited by middlemen because of lack of alternative channels for selling their products. Both KACE and SokoNect rely on technology such as mobile phones and internet to facilitate buying and selling between buyers and farmers. One Acre Fund and Juhudi Kilimo also mentioned that they also facilitate access to markets through partners (Hanson & Daniels, 2013; Robinson, 2013).

4.5.9 Poor infrastructure

Many small scale farmers live in remote places that are often not well connected in terms of road infrastructure or are simply very far from hubs, which makes it costly to travel. This makes it challenging for the small scale farmers to obtain key farming inputs timely. These difficulties are evident in their inability to sow during the rainy season; to reach veterinary services in time i.e. before livestock succumb to preventable and curable diseases and pests; and to reach markets in time, before their produce rots.

With regards to remote farmers obtaining farming inputs, One Acre Fund provides their farmers with seed and fertilizer at their doorstep. This eliminates the difficulty of travelling

far distances to purchase such inputs and also ensures that the farmers obtain them in time for sowing. Missing the sowing season can result in the loss of an entire season which can last six months (Hanson & Daniels, 2013). Sidai goes the extra mile to send a veterinary officer to make rounds within the areas where they operate. That way, symptoms are discovered before detrimental effects kick in. A farmer does not have to set out looking for the officer when needed although such an option is still available (Wainaina, 2013). Using modern communication technologies such as mobile phones which are accessible and usable in these remote areas, KACE and SokoNect assist farmers in reaching out to produce buyers from the comfort of their farms.

4.5.10 Unfavourable trade conditions

According to Wainwright, et al. (2013), pesticide residue is one of the reasons why agricultural produce exported from Kenya is often rejected and even barred from the European Union, which is the biggest importer of Kenya's horticultural produce (fruits, vegetable and flowers). This is a form of non-tariff barrier to Kenyan exports. Once rejected, the exported produce goes to waste, resulting in a loss of income to the concerned farmers. The use of pesticide is unavoidable as should it not be used, harvests will still be of inferior quality and yield. Real IPM offers an alternative solution. It provides biological pest control products that are effective, safe to use and that do not leave a residue. This makes Kenyan produce more marketable in international markets as it then meets the stringent international safety standards.

4.5.11 Lack of storage and processing facilities

Lack of proper storage and processing of produce often leads to decaying of farm produce making it unsellable. As previously mentioned, it does not matter if a farmer is able to boost production but cannot turn the yields into cash. Therefore, it is cardinal that farmers are able to secure suitable storage and processing in order to meet the end goal.

As formerly indicated, One Acre Fund equips farmers with proper storage techniques to ensure that the shelf life of produce is extended until a sale can be made. Juhudi kilimo also mentioned facilitating linkages to service providers such as processing and cooling plants. By extending the shelf life of produce through proper storage and processing, these social enterprises ensure that wastage does not occur, which in turn boosts productivity.

4.5.12 Younger generation's averseness to agriculture

Although this challenge was not uncovered in the literature review, it is a challenge that is considered rampant by many of interviewed agricultural support institutions. Many young Kenyans shun agriculture as a source of income and aspire to move to the city to obtain office jobs; a dream that does not always materialise (Agili & Mwenda, 2013; Mutunga, 2013; Logan, 2013).

Plant a Fruit has taken the initiative to introduce the youth, students in primary school, to agriculture. They are educated on importance of good nutrition and are trained in planting fruit and vegetables to supplement their diets. They target students/schools in low income areas where most children go without proper balanced diets. They initiate agricultural clubs within the schools and work with the students to start orchards within the school compound, which can supply fruit to the schools. They also provide potted plants for these youth to nurture at home. By doing this, they hope to nurture agricultural skills and interest, which can go a long way in winning over a larger and more productive agricultural workforce that can in turn boost agricultural productivity in Kenya.

The roles fulfilled by the different agricultural social enterprises in Kenya bear evidence that indeed social enterprises have the potential to enhance agricultural productivity by addressing challenges in the agricultural sector. According to the literature review, the challenges in the Kenyan agricultural sector were categorised into three categories being institutional arrangement challenges, production and processing challenges, and producer to market linkage challenges. Although the identified social enterprises do not touch on institutional arrangement challenges, they tackled majority of the challenges categorised in the latter two categories adequately. Having analysed the different roles social enterprises play in enhancing agricultural productivity, **section 0** shall explore the common trends exhibited by the social enterprises in fulfilling their different roles.

4.6 Social enterprises exhibit common trends when playing their roles

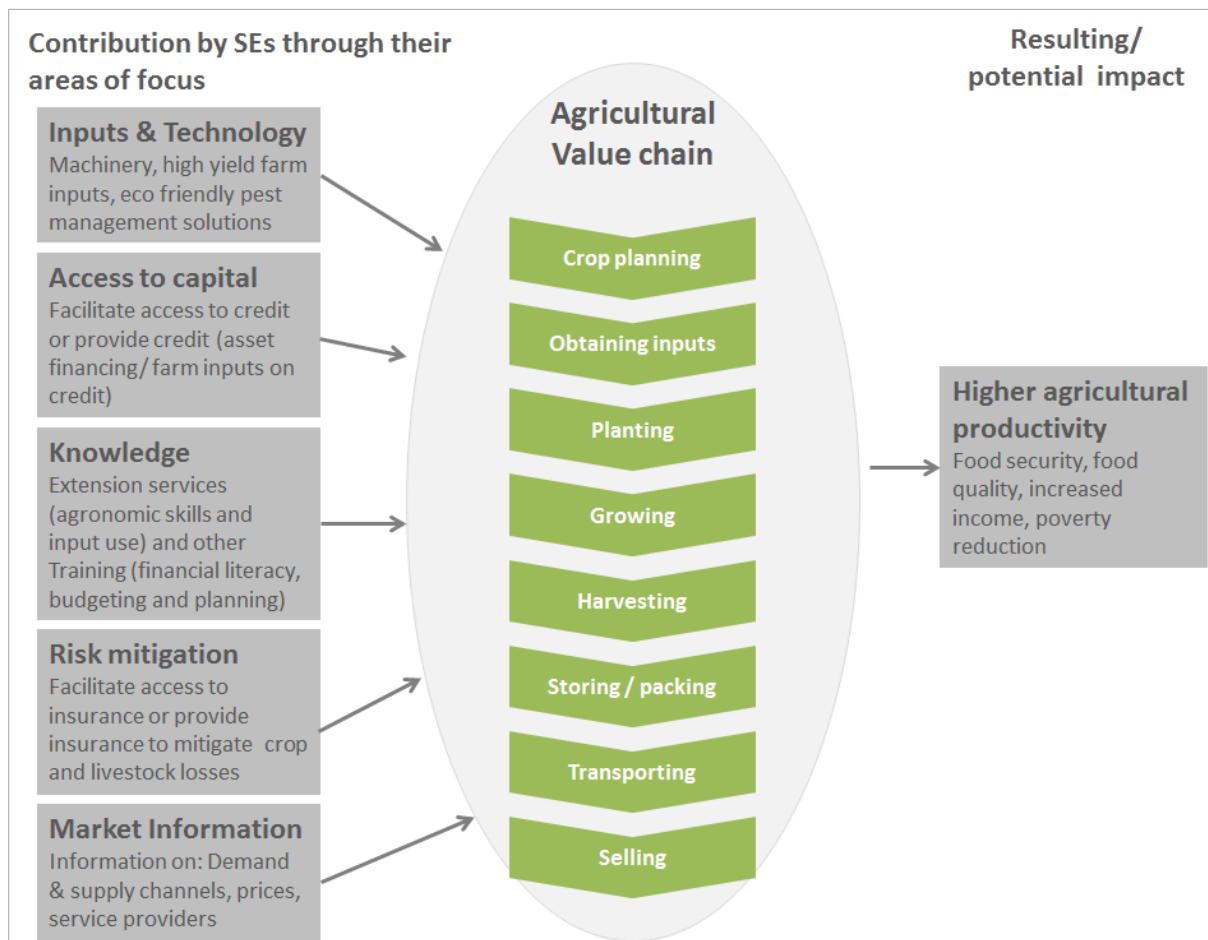
Analysing how the different agricultural social enterprises apply the determined solutions revealed some trends that are common across the social enterprise sector. The following subsections shall explore each of these trends.

4.6.1 Roles played by each social enterprises cut across the agricultural value chain

There was overwhelming conviction that the best way to assist farmers is through addressing issues along the entire agricultural value chain, as seen in **Figure 4** below. One of the farmer support organisations explained that it is important to do so because a constraint in one stage of the value chain would definitely have a rippling effect on the other stages making the final output unfavourable (Wambugu, 2013). Redding (2013) explained that in most cases, the main driver for this sort of approach is the donor community. NGOs and social enterprises relying on donor money have little choice but to sort of try and emulate the said approach by trying to incorporate as many solutions as possible for each stage of the agricultural value chain. This goes hand in hand with the notion of: it serves no good to assist a farmer in increasing agricultural productivity if in the end the produce cannot be converted into cash and hence intervention all the way to finding a market for his goods is essential.

One Acre Fund, for instance, assists farmers by providing key farming inputs (seed and fertilizer), facilitating financing for those farmers who cannot afford the inputs, providing extension services, training farmers on proper storage and handling of harvested produce and ultimately facilitating market linkages. Social enterprises did not provide solutions for all stages of the value chain but most (eight of ten) catered for at least two stages, with marketing assistance being the most common additional solution provided.

Figure 4: Social enterprise contribution into the agricultural value chain (Authors own)



4.6.2 Social enterprises apply aggregation when delivering solutions

In its initial model, Kilimo Salama targeted individual farmers for its microinsurance offering. However, they have since moved away from the individual retail product model to targeting farmer cooperatives and groups. They considered this move necessary in ensuring that they break even soon and attain sustainability quicker. Kilimo Salama, like many other social enterprises, realised that dealing with aggregated farmer groups reduces cost per transaction (less marketing, less extension trainers) and requires less effort because of economies of scale.

Other examples include Juhudi kilimo which uses a loan group model where members of the group are trained together and serve as collateral for each other's individual loans; KickStart relies on group marketing to sell its products; SokoNect aims to target farmer SACCOs and is in fact already working with a group of farmers to test its prototype offering; Sidai's

franchise model gives it high bargaining power that allows it to negotiate lower than whole sale prices for its franchise Agrovet shops; and One Acre Fund also deals with farmer groups.

Aggregation is also a common phenomenon across the interviewed farmer support organisations. However, on support organisation, Farm Inputs Promotions (FIPS) mentioned that using groups has the potential to exclude members of the society who are not organised in groups but have the most need for the products and services offered by social enterprises.

4.6.3 Social enterprises collaborate with each other in satisfying their roles

There was a lot of evidence of social enterprises collaborating with each other. However, of the collaborations, few can be considered formal (having contractual agreements to, for instance, implement a project together). Nevertheless, there was a general feeling that the social enterprise space in Kenya is very close-knit and despite there being few formal agreements, a lot of information is shared.

Examples of formal collaborations include Juhudi Kilimo's facilitation of: microinsurance for its clients through Kilimo Salama, training for clients through Technoserve – a social enterprise that trains farmers in entrepreneurial practices, and sourcing of funding through KIVA – a social enterprise that coordinates crowd funding.

4.6.4 Social enterprises collaborate with the private sector in satisfying their roles

There is a sizeable number of collaborations between social enterprises and the private sector. The types of collaboration include social enterprises sourcing products from the private sector to distribute to remote small scale farmers in a suitable format on their behalf, working together on projects to provide products that cater specifically to small scale farmers and simply using private sector infrastructure to fulfil their different roles.

Examples showcasing the three collaborations are One Acre Fund buying seed and fertilizer in bulk from the private sector in order to sell it to small scale farmers on credit and at suitable prices and quantities, Sidai's appointment by the Kenya Veterinary Board to be a distributor of vaccines for the board's vaccination programmes, and Kilimo Salama's use of Safaricom's platform to register clients via mobile devices and also make insurance payouts via MPESA, a Safaricom payment's product.

4.6.5 Social enterprises collaborate with public institutions in satisfying their roles

Social enterprises also reported some interaction with public institutions. However, unlike the interaction with the private sector, this sort of interaction was less involving. For instance, the few mentions involved using public generated information/ research, using the profile of public institutions to generate buy-in from small scale farmers and relying on the usual functions such as obtaining permits and licenses.

While the last mention is applicable to all social enterprises, examples of the first two instances include KACE's use of agricultural research from Kenya Agricultural Research Institute (KARI) to disseminate to farmers as part of its extension services and Kilimo Salama inviting high profile government official from the Ministry of Agriculture to attend payout ceremonies so as to create more hype, which translates into more sales of microinsurance for the benefit of the small scale farmers.

4.6.6 Social enterprises ride on information technology to satisfy their roles

Technology is a key enabler in the agricultural social enterprise space. It makes it easier to serve the needs of remote small scale farmers. For instance, with Kilimo Salama, farmers are able to register for microinsurance via mobile phones without having to visit an insurer, agent or broker that is likely to be located very far from the farmer in need. With geographic information system (GIS) technology, Kilimo Salama is able to monitor and verify areas where rain has not fallen, which informs the decision to make payouts to farmers to cover them against crop losses. With the same mobile phones, they are then able to receive insurance payouts without delay once the insured shock occurs. SokoNect and KACE also rely on mobile phone and internet technology to bring markets closer to remote small scale farmers. In addition, information technology is utilised by Juhudi Kilimo in the collection of operational information in the field through use of portable tablets.

4.6.7 Grant funding is important to social enterprises

Half of the social enterprises, which also have foreign founders, were started off using grants/ donor money. Two of the social enterprises, founded by a Kenyans, obtained donor funding at a later stage to expand or solidify their social model, while the other three Kenyan founded social enterprises were started using founders savings but are in the process of seeking external funding. Two of these founders did report that grant/donor funding will be much easier to qualify for than other types of funding.

Grant/donor funding is such an important source of funding for social enterprises that it influences the organisational structures of agricultural social enterprises in Kenya. This is especially so for the social enterprises whose founders are not Kenyan. In order to make it easier to obtain donor funding before sustainability is attained, these social enterprises have had to register as organisations both in Kenya and outside of Kenya (mostly in the USA). In Kenya, some of them register as private limited companies or as NGOs while still registering in the USA as NGOs or benefit corporations (B-corporations³). For example, Juhudi Kilimo and One Acre Fund are private limited companies in Kenya but in the USA, they are registered as B-corporation and not-for-profit organisation, respectively.

³ B corporations are companies that wish to benefit both the society and their shareholders and are certified by the non-profit B lab. See: <http://www.bcorporation.net/>

4.7 Challenges faced by social enterprises when playing their role

The following section shall examine the different factors that undermine the role of agricultural social enterprises in Kenya. The factors discussed below cut across the different social enterprises rather than being specific to each. The reported challenges are discussed below. The order in which the challenges are listed below give a slight indication to how frequently they were mentioned by agricultural social enterprises, starting with the most frequently mentioned challenge.

4.7.1 Funding complications

Funding was considered to be the biggest challenge faced by agricultural social enterprises. More specifically, early stage funding was considered to be the most difficult funding to secure within the Kenyan context. For example, although the government has various development funds such as *Uwezo Fund*⁴, such are said to have high levels of bureaucracy and rigorous requirements that can be unrealistic for start-ups, such as requiring that fifteen members apply for funding yet that is too large a number for start-up founders. In fact, none of the interviewed social enterprises mentioned utilising any government start-up funds or knowing anyone who had successfully utilised such a fund.

“At Uwezo fund they want at least a number of twelve to fifteen people but when it comes to tech enterprises there are at most three founders. It is impossible to get fifteen people to make the application.”

Social enterprise founder

Although some acknowledged that grants from donors were the most probable forms of funding at the early stage level, it was also acknowledged that this sort of funding has become more and more constrained because of the move towards impact investing. Unlike grant funding, impact investing requires that an organisation gain some sort of traction or profitability before it can receive capital funding. This means that most organisations requiring early stage financing cannot rely on impact investors as in most cases they have not yet attained profitability, nor are they close to being profitable or breaking even. Moreover, it

⁴ A Fund that seeks to expand access to finances and promote women, youth and persons living with disability led enterprises at the constituency level.

was said that many donors are not interested in funding for-profit-organisations, which is how many social enterprises are organised in order to be self-sustaining.

“Financing was a challenge in the beginning, first couple of years were pretty toughwe were not very profitable or commercial enough to attract financing from the banks or any other traditional funds but then at the same time we were for profit so the donors did not want to support us..”

Social enterprise head

Even though an organisation manages to manoeuvre past the mentioned barriers to successfully secure donor funding, funding problems may still ensue from this at a later stage. It was said that because donors are rarely flexible enough to support any initiative that falls outside the projects/mandates set out from the beginning, grants obtained from them can potentially constrain the direction of the benefactor social enterprise to stick to certain models or areas although there may be a business case to venture out to other models, which may even result in more social impact. This sort of imposed restriction can deter potential investors from investing in such social enterprises at a later stage because their interests may not be properly considered in the direction of the social enterprises.

“Gives us the money to do what we do to keep on doing it and scaling it up....we look for donors that are flexible... unrestricted money, money that is provided to supports your overall organisation aims and activities rather than project funding.. is very restrictive in what you can and cannot do.”

Social enterprise head

4.7.2 Insufficient government support

The general feeling was that although some government support did exist, sufficient effort was not being made. Although government availed representatives to work together with social enterprises, such as Ministry of Agriculture sending dignitaries to Kilimo Salama payout days to build brand and insurance acceptance (Uthayakuma, 2013), they sometimes meddled too much in the affairs of social enterprises or even hi-jacked initiatives to take the credit; leading to some of the proposed initiatives slowing down or not being implemented at all.

“We were to assist the government to distribute fertilizer vouchers to farmers through our secure platform but the government official at the Ministry of Agriculture we were working with complicated matters and wanted to own the project...it fell through the cracks and never took off”

Social enterprise founder

Moreover, many social enterprises mentioned that there is a lot of uncertainty in the Kenya enterprise environment. Changes to the constitution i.e. devolution of power, political instability as well as lack of transparency have been blamed for the uncertainty. For example, with the devolution of power, social enterprises were uncertain on who to approach in certain circumstances that needed government interaction; with the political instability that often comes about every four years during election period, some field operations have to be suspended in case of skirmishes as well as because the attention of farmers in rural areas is usually engaged by politicians seeking votes at the time and; lack of transparency is brought about by the fact that information hosted by government institutions is not always readily available. Although these factors were seen to be a hindrance for agricultural social enterprises in Kenya, interviewees acknowledged that the government in Kenya was doing better in these matters compared to other African countries.

“Of course the elections last year had a fairly big impact. I mean field operations were adversely affected in the run up to elections and then with all the uncertainty after the elections... when everyone is worried and scared that can be an issue and people do not want to invest....when there is so much uncertainty in the air”

Social enterprise head

4.7.3 Slow responsiveness of farmers

Social enterprises expressed that it took a lot of time and effort to market themselves to farmers with the aim of generating demand for the goods and services that they had to offer. Lack of trust was one of the reasons why getting to farmers was such a lengthy process. It was explained that in the past, many small scale farmers had succumbed to scams by con-artists promising great yields and returns at their dismay. Therefore, social enterprises have to put in extra effort to overcome the distrust. Moreover, the fact that most farmers are old and illiterate cannot be ignored as it affects their understanding of whatever is being introduced as well as their receptiveness to new technologies. For these reasons, social enterprises have to

exert effort in devising simple straightforward techniques for interacting with the said farmers and such efforts can go on for very extended periods before they yield trust.

“Farmers require at least three different... they have to hear about at least three different times for them to go in and actually be curious enough to ask the agrovet in order to make a decision to buy”

Social enterprise head

4.7.4 Technology is expensive and limited

It came across from technologically-oriented agricultural social enterprises that the required technology is not always available, and when it is available it can be rather expensive compared to other countries. For instance, all of the social enterprises that had hoped to utilise the simple Unstructured Supplementary Service Data (USSD) platform (the same platform utilised by the widely accepted Mpesa) to form interactive mobile platforms had been unsuccessful at doing so because it is expensive to obtain. They all ended up using the Short Message Service (SMS) model, which is cheaper but more cumbersome to use compared to the USSD model. Using applications platform is an option but not viable as majority of the target group uses feature phones as opposed to using smart phones. Moreover, there were mentions of importing technology from outside Kenya because of unavailability or high prices within the Kenyan market.

“We are working with a US firm called... to develop simple diagnostic tools where farmers can buy them at \$20 cents ...”

Social enterprise head

4.7.5 Difficulties attaining and maintaining quality hires

Management and founders of agricultural social enterprises expressed that attracting and retaining quality hires can be very difficult in the social enterprise space. This is especially so where middle management hires are concerned. Quality hires were viewed as people who felt strongly about addressing social needs but also had sufficient technical and business skills to grow a sustainable social enterprise. Affordability of competitive packages was the main factor that attributed to the difficulties of hiring and maintaining quality staff. It was

explained that unlike normal for-profit businesses, most social enterprises do not maximise on profits. Therefore, it is harder for them to offer attractive salary packages to would-be management. Furthermore, it was expressed that when a social enterprise takes initiative to train lower ranking staff to take up management positions, multinational and large NGOs often poach such trained personnel by offering them better packages.

“Currently one of our biggest struggles is trying to get good middle level management, you can get some very great really smart entry level staff who you can train and develop; but it’s quite difficult to get a manager without having to pay a lot for them and I think the challenge is if we do a lot of training and develop them to take up middle level management the big NGOs and multinational organisations will poach them.....as social enterprises we try to pay competitive salaries but we cannot compete with some of these institutions..”

Social enterprise head

4.7.6 Lack of social enterprise specific policy

As previously mentioned, social enterprises in Kenya tend to register as private limited companies or as NGOs because no social enterprise category exists. However, although they exhibit characteristics in both categories, they seek to provide for social needs while remaining sustainable through business practices. They do not sit squarely in either. Interviewees felt that policy makers should recognise social enterprises within their own category and offer certain allowances and incentives to allow them to continue promoting social welfare in a sustainable manner.

“For me the biggest challenge from a policy level is the tax structure. How do you tax a social enterprise?.... we would have made a tonne of money by now...but we want to make money by offering a holistic solution to the farmer ...which normal businesses do not do.... So when it comes to taxing social enterprises why do you tax them like 100% profit driven companies?”

Social enterprise head

4.7.7 Poor but improving infrastructure

Although infrastructure in Kenya is improving, it still poses a challenge to social enterprises seeking to deliver services and products to farmers. This is especially so where a social enterprise seeks to achieve the most impact by reaching the small scale farmers who exhibit the most need and are mostly found in remote rural parts of Kenya. Distributing farm inputs, training farmers on good agronomic practices, collecting farmer produce to facilitate market linkages – among others – all require good infrastructure to be able to reach farmers in a timely manner. Poor infrastructure can result in inputs and training not getting to farmers in time for the planting season as well as farm produce decaying before it makes it to the market. Infrastructure in remote areas is really poor but an improvement has been noted. Moreover, technology has made it easier to deal with poor infrastructure e.g. mobile phones being used to collect from and distribute information to farmers.

“We had issues with infrastructure, with roads, access to electricity but all that is getting a bit better.”

Social enterprise head

4.8 Support given to social enterprises

The section below examines the different types of support organisations that were identified as currently offering support to social enterprises as well as those that were identified as ones that could potentially offer support to social enterprises going forward. The ODI Social Enterprise Market Infrastructure (SEMI) framework (2013), which categorises support organisations into four broad categories as shown in **section 2.6** in the literature review, has been utilised to categorise the support organisations that were identified during the field research. As previously explained, the four categories are: (i) supporting development of products and services; (ii) supporting demand for products or services and access to customers; (iii) supporting access to finance, and (iv) supporting creation of legal, political and regulatory frameworks. The analysis of the different support organisations further broke down the four categories into subcategories which are presented below. The support offered by the organisations below has potential to mitigate some of the challenges that face social enterprises as explained in **section 0 above**.

4.8.1 Supporting development of products or services

According to ODI SEMI framework, supporting the development of products involves assisting market research support, workshops and trainings concerning internal and external enterprise factors, as well as research and development support. The support organisations that were mentioned by the interviewed agricultural social enterprises for fulfilling the mentioned roles fell under the following sub-categories being: innovation centres/ start-up accelerators, parent company incubators, research and development, and training and education. Each of the categories is explained below:

Innovation centres/ start-up accelerators: mlab, nailab and ihub are the three innovation centres/ start-up accelerators that were identified by the study. They all focus on nurturing technology start-ups to build sustainability by offering them a workspace where entrepreneurs can work from and exchange ideas, quality but adequately subsidised physical infrastructure for initial set-ups, technical training, mentoring, and business advice. They also facilitate access to market research, finance and even access to markets in order to scale up. A visit to the said organisations presented a buzzing community of young entrepreneurs who were very grateful for the support they receive.

Parent company incubators: K-Rep Development Agency, FARM Africa, Syngenta foundation were identified as the support organisations that are responsible for incubating Juhudi Kilimo, Sidai and Kilimo Salama respectively. They each saw an opportunity to bring sustainable impact in the lives of small scale farmers. Hence, they founded and nurtured the different social enterprises until they neared sustainability. At that point they were spun-off as individual enterprises.

Research and development institutions: Kenya Agricultural Research Institute (KARI) and the International Livestock Research Institute (ILRI) were mentioned as organisations that offer social enterprises improved inputs such as seeds and seedlings, improved livestock breeds, new techniques and knowledge that supports good agronomic practices. These are then delivered to farmers by social enterprises.

Networking bodies: Some entrepreneurs of the interviewed social enterprises were recognised as Ashoka fellows and were hence part of the largest network of social entrepreneurs in the world. Ashoka recognises and nominates entrepreneurs with innovative solutions for social problems to provide them with connections to a global network of people dedicated to social impact. It also provides access to technical assistance from businesses and academic sectors, frameworks for partnerships and even financing. Similar to Ashoka, East Africa Social Enterprise Network (EASEN) is a network of social enterprises but as the name implies, it offers membership to those social enterprises found in East Africa only and members do not have to be nominated to join. Although it was not mentioned by the interviewed social enterprises, some of them were identified through the EASEN database.

Training and education institutions: Difficulty in attaining quality hires is one of the major challenges expressed by social enterprises. However, the research showed that the founders of some social enterprises were in fact university students. Moreover, some universities were offering social entrepreneurship specific course. These factors indicate that universities are currently engaged in training social enterprise founders and workforce. They may presently not be recognised as movers in the industry but their impact is growing.

4.8.2 Supporting demand for products/ services and access to customers

According to the ODI SEMI framework (2013), support organisations can support demand of products or services through social marketing campaigns, product piloting and supply chain development.

Innovation centres/ start-up accelerators and parent company incubators were reported to offer the mentioned support to some degree as they mentor the different start-up programmes from the development of prototypes until they are near sustainability. This means that they are involved in implementing the different business functions all the way from testing the prototype, to designing the supply channels and the appropriate marketing platforms.

Impact investors such as Open Capital Advisors was also one of the support organisations that were reported as offering some of the mentioned support to other agricultural enterprises that were not interviewed because of constrained time. Among other things, it assists enterprises to develop business plans that involve more effective marketing and supply chain structures.

4.8.3 Supporting access to finance

The ODI SEMI framework (2013) explained that access to finance support includes any form of financing support that affects any stage of a social enterprise's value chain. The Kenyan social enterprise space has a variety of support organisations that support access to finance along social enterprise value chains. They include impact investors, venture capitals, microfinance institutions, securities exchange, challenge funds, peer to peer lending platforms and even donors. These provide financing in the form of grants, equity and debt. The different subcategories of organisations providing access to finance are explored below.

Impact investors and venture capitals: Although impact investors were not mentioned by the interviewed social enterprises, discussions with various stakeholders in the industry revealed that Open Capital and Acumen Fund, which are both impact investors, and Savannah Fund, which is a venture capital, are some of the instrumental impact investors and venture capitals for providing finance within the sector. These organisations provide debt and/or equity financing with the aim of scaling the enterprises to facilitate social impact, sustainability and financial success of the enterprise.

Securities exchange: Kenya Social investment exchange is a unique organisation as it is the second social investment exchange in Africa and the fourth one in the world. It brings together investors and enterprises seeking social, environmental and financial returns. However, although none of the interviewed social enterprises had utilised their offerings by the time of the interviews, stakeholders viewed KSIX as having an interesting offering that they could consider utilising.

Challenge funds: Safaricom Developer Challenge, although not aimed at social entrepreneurs only, is another innovative platform that was identified as having provided start-up financing to one of the social entrepreneurs. The platform seeks to identify promising mobile ICT developers through a competition. The finalists are then mentored and provided for financing based on milestones. One of the start-ups, SokoNect, obtained initial funding in this manner.

Micro-finance institution and peer to peer lending platforms: Microfinance institutions and peer to peer lending platforms often collaborated with social enterprises in providing financing for farming inputs and technologies offered by the mentioned enterprises. The organisations usually offer small tranches of financing which is not suitable for financing social enterprises but enough for social enterprise clients. Small and Micro Enterprise Programme (SMEP) and KIVA, a micro-finance institutions and peer-to-peer lending platform respectively, were identified by social enterprises for providing financial support to their clients. Mbegu capital is another peer-to-peer platform that was founded recently.

Donors: As previously mentioned, donors were identified as the most likely group to offer financing for social enterprises. USAID, Bill and Melinda Gates, Government of Finland were identified as some of the donors that have supported access to finance in the form of grants for some of the interviewed social enterprises. However, where the quest is to gain profits, which is a financial goal to some social enterprises that wish to go beyond becoming sustainable or rather breaking even, it is said that donors are less willing to offer financing.

4.8.4 Supporting creation of legal, political and regulatory frameworks

The ODI SEMI framework (2013) suggests that supporting the creation of legal, political and regulatory frameworks entails policy research, establishment of industry groupings to support advocacy and outreach, establishing industry and product standards and establishing industry monitoring and assessment procedures. The interviewed social enterprises were not aware of any organisation that provided this sort of support. In fact, interviews with organisation that could potentially provide or spearhead the said support, revealed that they were unfamiliar with the term social enterprise. The organisations included Vision 2030 and the Ministry of Devolution and Planning, which are both key development agencies in Kenya and key players in the facilitation of a vibrant entrepreneurial environment.

4.8.5 Chapter summary

A summary of this chapter is contained in summary of the findings section in chapter 5 below.

CHAPTER FIVE

5. CONCLUSION

5.1 Introduction

Desk review found that there was a large gap in the literature concerning social enterprises in Kenya as not much has been published on the subject despite there being evidence of the existence of numerous social enterprises operating in various sectors in Kenya since organisations and donors began to move their attention towards the contribution of entrepreneurial approaches to poverty alleviation. This study fills the knowledge gap by providing knowledge concept of social enterprises being tools for boosting agricultural productivity in Kenya, agriculture being the dominant sector in Kenya. The study determined the challenges facing Kenya's agricultural sector and the solutions social enterprises offer in addressing the said challenges, how social enterprises go about applying their solutions, the challenges they face and the support they receive to ensure their success.

5.2 Summary of findings

In support of the literature review, this research found that all the agricultural social enterprises interviewed were set up to address a challenge in Kenya's agricultural sector. They are initially set up to address a single challenge but the mandate of a majority of them has grown to addressing a wider scheme of challenges in the agricultural value chain. In fact, many mitigate challenges that fall into two of the three categories of challenges that were mentioned to prevail in Kenya's agricultural sector. These are production and processing challenges and producer to market linkage challenges but not institutional arrangement challenges.

Under production and processing challenges they mitigate the impact of high cost of inputs, poor quality of inputs, lack of access to affordable credit, reduced effectiveness of extension services, low absorption of modern technology, frequent droughts and floods, pests and diseases. All of these challenges had been identified by the literature review apart from poor quality of inputs which is a challenge that has not been explored in past works. Moreover, past works had identified high incidence of HIV and AIDS, malaria and water-borne and

zoonotic diseases and gender-based constraints under the production and processing challenges; undertaken interviews did not uncover these challenges.

Under producer to market linkages challenges, social enterprises met all but one of the challenges uncovered by the literature review. Apart from providing a solution for inadequate quality control infrastructure, they provided solutions for inadequate markets and marketing infrastructure, poor infrastructure (transport), unfavourable trade conditions (non-tariff export barriers) and lack of storage and processing facilities.

Apart from the above mentioned challenges which the interviews also uncovered another non-explored challenge being: Younger generation's averseness to agriculture. See Section 4.4.9 for more information.

In fulfilling their different mandates, it was discovered that there are certain trends exhibited by most social enterprises and to some extent their support organisations too. It was clear that roles played by each social enterprises cut across the agricultural value chain mainly because of the overwhelming conviction that the best way to assist farmers is through addressing issues along the entire agricultural value chain. Also, social enterprises apply aggregation when delivering solutions so as to take advantage of certain economies of scale. Moreover, they also rely on information technology such as mobile money in satisfying their roles. Collaboration with each other and with the private sector and with public sector institutions has been a key success factor for social enterprises. Finally, grant funding also emerged as being important for the setting up most social enterprises.

As with any organisation, social enterprises also encounter challenges in their day to day operations. As discussed in the literature review, raising funds and obtaining and sustaining quality hires were the most common challenges faced by social enterprises. It should be noted that the research also found that funding complications was the most mentioned challenge followed by insufficient government support. Difficulties attaining and maintaining quality hires, although not frequently mentioned by the interviewed agricultural social enterprises, was considered a major challenge when considering the responses by social enterprise support organisations. The fact that they did not feature often in the interviews with agricultural social enterprises can be explained by the fact that not all the interviewees at these organisations were senior staff who would be most conversant with their organisations' hiring procedures.

The literature review also uncovered the acquisition of technologies as a challenge to social enterprises. The monetary expense and scarcity associated with technology, as well as poor responsiveness of farmers to new technologies can be considered as intermediate challenges. Other intermediate challenges include a lack of social enterprise specific policy, insufficient government support and poor but improving infrastructure. The literature review also touched on the lack of specific social enterprise policy – especially when it comes to legal and tax requirements – as an issue. It also touched on lacking of a conducive environment, lack of certainty due to conflict in some regions, as a challenge. This goes hand in hand with lack of government support as explained in Section 4.7.2.

Contrary to the literature review, the research did not find lack of support from family and friends, poor product quality, competition from others, difficulty obtaining expert assistance and mission drift to be challenges to agricultural social enterprises in Kenya. One would expect that mission drift, brought on by having both financial and social priorities unlike ordinary businesses, would be common among most social enterprises in spite of serving different sectors or operating in different countries. However, none of the interviews with both social enterprises and their support organisations yielded this challenge. Also, although the literature review did not mention infrastructure challenges, which could be because the literature review was not specific to social enterprises in Kenya only, this was especially common to the interviewed agricultural social enterprises as they go about delivering services to farmers who are often located in remote areas.

The study interviewed organisations that currently support agricultural social enterprises as well as those that could potentially support agricultural social enterprises. Based on the different support they offer and could potentially offer to agricultural social enterprises, they were categorised into the four broad SEMI identified by the literature review. Some fell across more than one category because of their expanded support services.

The first category, which is made up of innovation centres/ start-up accelerators, parent company incubators, research and development institutions, networking bodies, training and education institutions, provides support in the development of products and services. The second category, which is one again made up of innovation centres/ start-up accelerators and impact investors, provides support in generating demand for products/ services and accessing to customers. The third category, which is made up of impact investors and venture capitals, securities exchange, challenge funds, micro-finance institution and peer to peer lending

platforms and donors, provides support in accessing finance. Although funding appears to be diversified in terms of providers, it is still insufficient especially for start-ups, providers are not coordinated and terms are rather inflexible. With regards to the fourth category, the only organisations that were identified as falling in it do not currently provide support to social enterprises but they have the potential to provide support by creating legal, political and regulatory frameworks specific to social enterprises. This form of support, which can also be regarded as shaping policy around social enterprises, was regarded as one of the important factors social enterprises mostly require yet it was lacking at the time.

Based on the findings, the agricultural social enterprise sector in Kenya is active and vibrant and has the potential to boost agricultural productivity should processes be more coordinated and their present challenges be mitigated. This will require a collaborative effort from the different stakeholders being, social enterprises, government, donors and the private sector. This may require a body that oversees such collaboration and oversees the social enterprise sector in terms of policy creation and evaluation practises among others. The incentives include job creation and agricultural productivity for government, increased productivity and increased efficiency for social enterprises, efficient fund allocation for donors and recognition for improved corporate social responsibility for private sector entities. The success brought about by the collaboration will ultimately result in social enterprises being recognised as driving forces for addressing social goals while achieving economic benefits, and this will in turn encourage more social entrepreneurship even in other sectors. This could results in an overall increase in social welfare while increasing financial gains for those concerned. .

5.3 Limitation of the study

5.3.1 Lack of on the ground observations

Due to time and resource constraints, both the initial team that carried out the original study as well as the writer who was able to follow up with additional social enterprises and support organisations were unable to interview organisations outside of Nairobi. This means that they only visited the head offices of the mentioned organisations and did not actually manage to engage with their on the ground activities, i.e. they did not manage to visit the actual sites where the interviewed social enterprises provided the various goods and services, to get a more in-depth of the issues discussed.

5.4 Strengths of the study

5.4.1 A diversified range of social enterprise types

The researchers were able to interview a diversified range of social enterprises and support organisations. The social enterprises ranged in terms of business model, area of focus along the agricultural value chain and the challenges they sought to mitigate. The support organisations also fell under three of the four categories identified by the ODI SEMI framework (2013).

5.4.2 Additional opportunity to follow-up and confirm findings

The writer was able to go back into the field in October 2014 following the initial interviews that took place in November 2013. On the second occasion the writer interviewed two additional social enterprises and one support organisation, and also got involved in a panel discussion where some of the findings were tested with farmers, additional social enterprises and support organisations.

5.5 Recommendations for further research

However, future research could focus on measuring the actual impact of agricultural social enterprises. To confirm the actual impact brought about the said social enterprises, researchers undertaking similar studies should aim to carry out interviews where the mentioned enterprises offer their products and services to confirm and observe how and whether they actually contribute to agricultural productivity. They can for instance interview community leaders or even the farmers that the social enterprises reported to assist, hence assessing whether indeed actual impact is contributed by their works. Moreover, future studies could explore other ecosystems that may have a social enterprise policies and governing bodies already in place and assess the impact that has had on social enterprises if any. If such policies have led to flourishing of social enterprises and overall social welfare, Kenya could borrow a leaf in structuring similar policies.

APPENDICES

Appendix A

List of interviewed organisations

i) Interviewed social enterprises
Juhudi Kilimo
KACE – Kenya Agricultural Commodity Exchange
KickStart
Kilimo Salama
One Acre Fund
Plant a fruit
Real IPM ((Integrated Pest Management)
Sidai
SokoNect
Card Planet Solutions
Mbegu Capital
ii) Interviewed Support Organisations
Africa Harvest
Pan African Agribusiness and Agro Industry Consortium (PANAAC)
Chase Bank Agribusiness
Farm Input Promotions (FIPS)
Kenya National Federation of Agricultural Producers (KENFAP)
Technoserve
CIC Insurance
Open Capital Advisors
Strathmore University Business School
United States International University Kenya (USIU)

Vision 2030
Agricultural Information Resource Centre (AIRC)
Ministry of Devolution and Planning
iii) Other
A panel discussion organised by iHub consisting of social entrepreneurs, farmers and support organisations. 'Can mAgric Solutions Improve Productivity of the Agricultural Workforce'

Appendix B

i) Interview questions posed to agricultural social enterprises in Kenya

1. Describe the mission of your organization and the nature of your work	a. Basic information: legal status, years in operation, business activities, annual revenues, financial and impact reporting (some of this information may be publically available prior to the interview)
	b. What are your current products/services? Who are your clients and what are their needs? What is the value chain of your organisation? What are your income generation models?
	c. What is the mission of your organisation? Why did you start a social business? What are your social business objectives? How do you see your business as different from other normal businesses?
	d. Are you generating a surplus, and if so how to you use surplus or profit? What is your plan for the next 3 years? If you are seeking to expand, how will you achieve this?
2. What impact are you having	a. What successes are you proud of? What impact have you noticed or been able to quantify? What are the main results in terms of profit and beneficiaries? How do you calculate results?
	b. What are key milestones in the development of your business? What factors have contributing to achieving these?

3. What challenges do you face	a. What 4 factors most constrain your operations? What influences your sustainability? What influences your ability to deliver social impact or to be innovative? Who are your current competitors? What impact does the policy environment have?
	b. What are your views on the roles of government and private sector actors who engage in the same space?
	c. What recommendations do you have for government or donors? Which other stakeholders could be engaged to contribute more?
4. What types of support have you accessed and how do you engage with peers	a. Do you receive support from government? Who are you main service providers and supporters and what are their roles? What further support could you benefit from?
	b. How do you relate with other SEs? Do you partner with other SEs? Are you part of a sector or SE specific network?
5. Sector specific obstacles and opportunities	a. What obstacles and opportunities exist within the market niche your SE operates in? How does your SE interact with other market niches within the sector? What are the pre-conditions to engage in these market niches?

ii) Interview questions posed to social enterprise support organisations in Kenya

1. Organisation overview	a. What are your organisation objectives? Description of support service your organisation provides: what services and tools? Promoting SEs? Creating support structure? Mobilising private investment? Working with (or as) an intermediary, accelerator/incubator?
	b. When did you start providing these services? Kenya specific? Social enterprise specific? Sector specific? Do you provide support to any of the SEs we are interviewing? (LIST)
	c. What projects/programmes have you been involved in recently to promote the development of SEs in Kenya? What lessons have you

	learnt?
2. Challenges and opportunities	a. What are your views on SEs and their impact on development in Kenya? What challenges do you perceive that SEs are facing? What are the opportunities for SEs in Kenya? And SEs in health/agriculture in particular?
	b. Is your organisation's current approach new, how has it changed recently? Have the needs of SEs changed? How? How have you responded to this?
	c. What more could you/would you like to do? What stops you? What would help you provide different/additional/better support to SEs?
	d. What could/should other organisations be doing?
3. SE ecosystem in Kenya	a. Who are key individuals and organisations in SE promotion? In health? Agriculture?
	b. What is the role of government? Of donors? In promoting SEs and helping support organisations to support SEs?
	c. How does your organisation work with other support organisations? International Organisations: Does your organisation broker relationships between local and global actors involved in SE development? If so, how?
	d. International Organisations: Compared to other developing countries, how active is Kenya's SE environment?
4. Looking forward	a. What future plans does your organisation have?
	b. What are your opinions on changes needed to remove constraints to SE development? Which actors need to be involved? (government, SE community, support organisations, donors, impact investors, the public?) What recommendations for policy, regulation and communication do you have?
5. Agriculture Sector	a. How does your support of social enterprises in the health sector improve the yields of agricultural produce in Kenya? Improve food security? Improve farmers' financial returns?

	a. How do agricultural social enterprises engage with actors of the broader agricultural sector?
	b. To which extent do you believe agricultural social enterprises should be integrated into the agricultural sector? How do/would you assist them in this regard?

iii) Interview questions posed to government policy and regulatory organisation in Kenya

Background	b. Description of objectives and working methods
SEs in Kenya	a. Describe what you know of social enterprises in Kenya and their business model
	What are your opinions of social enterprises on the following? Their social impact? Their effectiveness? The difference between their business model and other types of enterprises/organizations? Job creation? Economic freedom for the poor?
	What contribution do you think SEs make to development in Kenya? Do you support/encourage to replicate this model? Is there any policy/action to promote: the development of social enterprises and the establishment of other social enterprises. What are the crucial conditions to sustainably replicate/develop this model at local level? What problems are there for SEs in terms of contributing to development? How much focus should they receive? Is the current balance right?
Support to SEs	Please describe any projects/initiatives/campaigns your institution has led concerning social enterprises. In what ways has your organization influenced or supported the SE space in the country? How do you think policies/regulations issued by your institution have

	<p>affected the SE space?</p>
	<p>In your opinion, what is the role of local departments and agencies in the development of social enterprises during the following periods:</p> <p>Before a social enterprise is established?</p> <p>While social enterprise is operating?</p> <p>In the future?</p>
	<p>What recommendations would you make to social enterprises to improve their effectiveness? To support organizations?</p>
<p>6. Agriculture Sector</p>	<p>Do you believe the social enterprise business model is relevant to the agricultural sector?</p>
	<p>What do you think are the strengths of social enterprises in carrying forth a mandate of improving agricultural production and rural development in Kenya? Their weaknesses compared to other agricultural organizations?</p>

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