

SOMO AFRICA

Empowering Entrepreneurs to Change the World



A CASE STUDY FOR UNDERSTANDING THE STARTUP ECOSYSTEM IN KENYA

This case study was researched and compiled by **Maitri Capital** as part of a report on the Understanding the Startup Ecosystem in Kenya, together with Kenyatta University and other partners, funded by UK Aid

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INTRODUCTION

**SOMO IS
A BUSINESS
ACCELERATOR
WORKING IN
LOW-INCOME
COMMUNITIES**

**SOMO IS FUNDED
BY
FOUNDATIONS,
PRIVATE
INSTITUTIONS
AND
GOVERNMENTS**

Somo is the root of a Swahili word meaning "lesson". Somo is a business accelerator that identifies enterprising social entrepreneurs in low-income communities across East Africa and empowers them to change their communities from within. Somo has been funded by foundations, private institutions, and Government partners (Polish Aid, UK Government, Kenya catalysts Job Fund).

Born out of the experiences of the founder, who wanted to create a program that invested in sustainable change for low-income communities through investing directly in people.

Somo and its businesses are addressing real needs in low-income communities. Across East Africa, micro and small businesses struggle to get non-exploitative financing to grow and expand to new markets. Aspiring entrepreneurs from low-income communities face particular challenges because of a lack of a safety net, unstructured family support, and limited financial capital from friends and family.

HOW IT STARTED



Amelia is the founder and CEO of Somo. She started working with a school and youth group in a Nairobi informal settlement in 2012. She launched Somo and its pilot training cohort while still a student at UC Berkeley.

The idea of Somo came to her while she was working at an educational nonprofit. She witnessed the lack of sustainability that existed in so many NGO models. These models, according to her, were based on foreign donations with a little buy-in from the local community. When foreign donations go away, the projects also go away with them.

Meanwhile, she worked with a bunch of youth groups that existed in the area. Many of these groups found different ways to generate revenue to cover their own costs. One particular group started a recycling business that recycled trash to make different sellable products.

Through the revenue generated from the recycling and from the products they sold they were able to employ the members of the youth group. Somo has been able to double their impact since 2020, training 400 entrepreneurs and investing in 95 of them. Somo now has businesses in 13 counties in Kenya, and recently launched in northern Tanzania.



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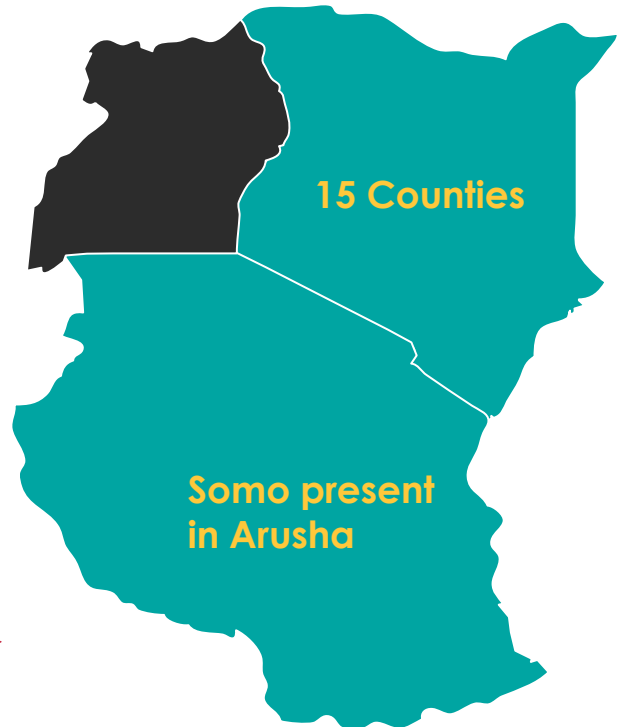
**AMELIA HOPKINS PHILLIPS, FOUNDER AND
CEO,
Somo AFRICA**



SOMO AFRICA

Across borders

Somo operates in two countries in Africa, Kenya and Tanzania. Somo is currently in **15** counties with more than **4,031** business owners in Kenya. In Tanzania, Somo operates in Arusha with **118** business owners. Somo has more than **1,400** entrepreneurs in Kenya and Tanzania



SOMO PROGRAMS: IMPACT AND HOW IT EMPOWERS BUSINESSES



1: SOMO ACADEMY

Somo Academy offers training and business coaching to help entrepreneurs optimize business strategies.

Buruka is a training program focused on social entrepreneurs that is tailored to the needs of each entrepreneur and driven by market research.

Chanuka is coaching provided by other Somo portfolio companies, Somo team and volunteer advisors, through both 1:1 and group sessions.

DigiSomo is a set of digital business training tools that are available through WhatsApp, YouTube and a toll-free number.

Boost Biz is a basic program that focuses on existing small businesses to help upscale current operations.



IMPACT IS IMPORTANT

1,400+
ENTREPRENEURS
HAVE RECEIVED
TRAINING
THROUGH
SOMO
ACADEMY.

With Buruka, entrepreneurs, particularly those with an education, health, or environmental business focus, receive tailored training through a blend of in-person and virtual Zoom classes, focused on social entrepreneurship, and are paired with a Somo graduate mentor. Entrepreneurs then attend pitch sessions and submit business plans, decks and financial projections.

2: SOMO INVEST

Through this program, Somo provides initial seed investment to entrepreneurs while connecting them to growth partners. Somo partners with its finance partners to provide debt, non-commercial, or below commercial loan rates to its entrepreneurs. The loans are structured depending on the needs of the business, growth potential, reliability, and the stage the business is currently at. Loans range between KES 50k to KES 1.5 million. Interest on loans ranges between 0%(lowest) and 5% (highest) and is below market rates.

Through the Inuka program, Somo provides non-repayable investments for the initial capital expenditures necessary to launch their ventures. Later stage funding is provided through pitch competitions and debt partners.

DigiKua is a USSD and WhatsApp platform that allows businesses to record their transactions in real time.



Through DigiKua, entrepreneurs build a visual profile on Somo Invest accompanied by their financial and impact data. Investors can access Somo Invest online, allowing them to keep track of their investments made in Somo together with the loans they provide and repayments made by entrepreneurs. The most notable investors in Somo Invest are the *Bestseller Foundation*, *Mkono*, and *Optimizer Foundation*. Bestseller Foundation invests in Somo Businesses that focus on circular economy textiles and those reusing existing materials to make clothes and household products.



**SOMO INVEST HAS
ACCESSED MORE THAN
\$109,104 IN EXTERNAL
FINANCING**

“

3: SOMO CHANNEL

Somo channels offers a platform to sell locally produced items from Kenya. It provides support at every stage of a business value chain. Tengeneza is a shared production facility that provides entrepreneurs with access to equipment, print services and standardized processes.

Through SomoDuka, Somo products are sold through both Somo, third party online and physical channels. Tengeneza has helped businesses like Glow Pop grow.

Tengeneza is based in Githurai with a community in Kiambu.

It is currently used by 20 businesses to produce everything from nut butter to chili products, soaps, and skin oils.

All businesses using the Tengeneza facility have a social focus on creating jobs, providing education, health and wellness products, or addressing environmental challenges.



”

“

Tengeneza has provide Judy, founder of Glow Pop with opportunity to train other entrepreneurs in making hygiene products and in the process, she learns more while earning. Judy has trained over 25 people

Through Somo Soko, an annual holiday market where entrepreneurs get to showcase their products, John, the founder of Dunga Eco, made 22% of his total Q4 Sales

**MORE THAN
20
BUSINESSES
USE THE
TENGENEZA
FACILITIES TO
PRODUCE**

FUNDING: HOW SOMO FUNDS ITS BUSINESSES AND WHO FUNDS THE FUNDER

Somo's has been largely funded through foundations, Private Institutions and government partnerships (Polish Aid, UK, Catalysts Job Fund). I

In 2021, Somo had total cash-in of \$709,089 to serve the entrepreneurs and help create jobs. From the cash-in amount, \$487,330 was generated from grants, \$186,729 from donations and \$34,030 from revenues.

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FUNDING PARTNERS

Somo helps in structuring investments for what micro and small businesses need. Somo works with three partners to provide working and growth capital to businesses.

Bestseller Foundation – has a mission bringing about positive and lasting change in developing parts of the world through investments in businesses with social impact. It has invested in Somo businesses that focus on circular economy.

Mkono – Mkono is a Canadian non-profit organization providing mentorship and loans to young business owners in Kenya. Mkono Provides loans to Somo youth Enterprises at an affordable manner.

Optimizer Foundation – driven by the mission to improve youth access to health, education and employment, and leveraging on philanthropic capital the foundation invests in Somo's social enterprises.



SOMO AFRICA: THE NUMBERS

By 2021, Somo had funded **260+** businesses, reaching **4149** business owners, trained **801** entrepreneurs and helped create **5990** jobs, of which **79%** were youth and **57%** women

These businesses have in turn reached **200,000** customers, recycled **935k** materials, **3795** families accessed clean water

32% of Somo Entrepreneurs have accessed external financing

Through Somo Invest, businesses have accessed a total of **\$109,194** in external funding

Initial Investments made by Somo in its businesses range from **KES 50K** to **KES 200K** as growth capital. This is non-repayable



**SOMO
SOKO**

buy   local

KEY LEARNINGS: CHALLENGES, RECOMMENDATIONS

“There exists a knowledge gap especially in terms of what is needed to register a business in Kenya.

Amelia Hopkins,
Founder, Somo Africa

WHAT ARE THE KEY LEARNING FROM SOMO'S STORY ?

Somo presents an interesting case of moving SME acceleration programs from being donor funded to becoming self sustaining as the businesses become fully functional.

The youth are the driving force of the economy – almost 80% of the Somo businesses are youth-led, indicating that novel or innovative ideas and businesses driven by the youth have the means and possibility to thrive, generate profits whilst offering employment to other youth. Through investment, financing and training, the youth can contribute to the economy of the country.

Digitization is the future - Somo has embraced the power of technology making management, follow up and learning easy and accessible. Boost Biz program is used to train small business owners across the country. Additionally, virtual training allows a higher number of entrepreneurs to attend these training and seminars.

WHAT ARE THE CHALLENGES SOMO HAS FACED?

During Somo's journey, Amelia, explains some of the challenges they have faced whilst scaling up.

Knowledge gap – being the greatest challenge startups and new businesses face in Kenya, for example from how to register a business, hiring of staff to product marketing.

Market gap in accelerating SMEs and Startups–there is a gap especially in terms of support offered to small businesses as not most people are willing to nurture small businesses into fruition.

Certifications – businesses, especially new and young ones often have to wait for long periods to get the required certifications to commence operations. The process of accessing certifications is also tedious.

Funding and capital shortage – startups and SMEs lack knowledge and access to growth capital, impeding their ability to scale.

HOW TO IMPROVE THE KENYAN STARTUP AND SME ECO-SYSTEM

Somo's founder puts forward some suggestions to better the Kenyan startup and SME ecosystem.

First, regulations should not be imposed too early on young businesses so that they are unable to take off. Regulations on aspects like tax and other regulatory compliances should be waived at the onset for startups to allow them time to focus more on sustainability of their businesses.

Second, there should be provision of capital as a motivation for registration of startups. Systems should be created that give businesses access to either financing or new markets with the effect of helping these businesses to grow.

Lastly, low interest loans (preferably below prevailing commercial rates) to micro-businesses to help scale these businesses. This is the same technique that has been adopted by Somo. Somo offers low interest rates loans (below prevailing market rates) to its business.



FUTURE OUTLOOK: WHAT NEXT FOR SOMO



Somo's goal is to create **7,000** jobs through the expansion of its training model across Kenya and Tanzania, investing in new businesses, securing growth capital for existing businesses and creating access to markets to sustain operations

With the average employed person supporting four family members, this will impact over **30,000** people directly in East Africa

More specifically in Kenya, Somo is looking to expand into **25** **counties** and they seek to work more with county governments, financial institutions and impact funds to provide capital to entrepreneurs



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