



POLICY BRIEF

POLICY BRIEF NO. 02 (2025)



FAITH-BASED SOCIAL ENTERPRISES RUN BY CATHOLIC SISTERS: WHAT POLICIES CAN SUPPORT THEM TO GROW IN KENYA?

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Executive Summary

Social enterprises have increased due to their ability to tackle societal challenges while remaining sustainable. A paradigm shift is witnessed among faith-based organisations that are transforming their approach to addressing global challenges by adopting social business models. This has led to the push for not only spiritual and social missions but also the economic viability of their organisations, creating faith-based social enterprises.

Despite their prevalence, faith-based social enterprises (FBSEs) have not been recognised for their work while limited research and policy support are provided.

Therefore, this study draws on the research conducted on the faith-based enterprises run by Catholic sisters to propose policies that can support their growth. With more institutional recognition and support, these organisations can not only help the government to deliver key services such as health, education, food security, housing or poverty alleviation, but also contribute to sustainable development globally.

The primary aim of the study was to examine policies that can be used to support FBSEs

run by Catholic sisters to grow in Kenya. The study is inspired by the Sister Blended Value Project (SBVP), which is a collaborative effort between Strathmore University and Association of Consecrated Women in Central and Eastern Africa (ACWECA) that supports the transformation of social ministries into sustainable social enterprises supported by funding from Conrad N. Hilton Foundation. The study draws on case studies that were purposely selected from the SBVP participants to understand their challenges and how this impacted their growth. The participants in this study were: The sisters of Holy Angels, The Immaculate Heart of Mary, The Missionary Sisters of Annunciation, The Missionary Benedictine Sisters, and The Immaculate Heart Sisters of Africa.

The study recommends an expanded engagement with supporting organizations such as international NGOs, foundations, foreign missions and government to draw on their experiences and best practices to enhance the support provided to FBSEs.

Keywords: Faith based enterprises, Catholic sisters, social ministries, policies

Introduction

Social enterprises have increased in the last decade. According to a report published by the World Economic Forum, an estimated 10 million social enterprises globally generate about \$2 trillion in revenue and create nearly 200 million jobs. The statistics indicate the substantial contribution of social enterprises in global economics and social transformation, with an emphasis on bridging equality and gender gaps in the sector. Increasingly more organizations are partnering with social enterprises to execute their corporate social responsibility projects, indicating their importance in contributing to socioeconomic development.

However, social enterprises face challenges that deter them from actualizing their development potential. First, social enterprises are found at the intersection of social and economic missions, which sometimes compete and might cause a mission drift. Second, in some jurisdictions, such as Sub-Saharan Africa (SSA), there are no clear policies that steer the social sector other than a one-size-fits-all approach that informs the small and medium policies. The existing policies,

such as the Public Benefits Organization Act 2013 and the SME Act or the proposed Start-Up Bill 2024, do not acknowledge the social sector because they do not speak to their hybrid model.

However, a critical aspect of supporting FBSEs is the provision of policies that aim to support them to grow. Faith-based organizations, particularly those run by Catholic sisters, are an understudied group that contributes significantly to spiritual, social and economic well-being. Therefore, the study identified and engaged with social enterprises run by Catholic sisters to understand what policies would best support them in growing their reach and impact.

Problem Statement

Faith-based social enterprises (FBSEs) exist in many economic sectors across the globe. In Europe, FBSEs are mostly in healthcare, education, social and welfare services, housing, energy and utilities, culture, environment and tourism. In the US, Faith based organisations (FBOs) have been prominently involved in providing food, clothing, shelter and social services. The importance of FBSEs has continued to increase given their role in social and economic development across the world. In sub-Saharan Africa, including Kenya, an estimated 388 million people live below the poverty line. FBSEs have played a critical role in feeding the hungry, educating the poor and providing primary healthcare in areas where government services are not available.

As the world faces major challenges, such as economic crisis, global pandemics, wars and volatility, FBOs continue to face stiff competition for the ever-dwindling pool of donor funds. Analysis of the data from the sample cases in this study indicates that FBSEs run by Catholic religious women face several challenges in their operations.

One of the primary challenges for FBSE is access to finance. Generally, FBOs rely on small amounts of contribution from individual members or philanthropy from wealthy individuals.

Policymakers have overlooked FBSEs and concentrated their policy efforts on generally addressing micro, small, and medium enterprises. The unique needs of FBSEs are not considered under the Ministry of SME and Cooperatives sessional paper no 5 of 2020.

FBSEs are faced with a lack of public awareness and recognition for the work they do within the communities. Whilst faith-based organisations are widely known for their contribution to addressing global challenges, rarely do they receive the recognition and awareness they deserve.

There is inadequate policy framework to support faith-based social enterprises. Due to the unique dynamics created by the combination of religious, social missionary work and business sustainability, FBSEs find it complex to navigate the already complex and sometimes ambiguous institutional framework.

Given the nature of FBSEs, they often encounter challenges in accessing public

procurement processes. The lack of knowledge and capacity for procurement processes for government and public institutions makes it impossible to compete with other entities.

Other challenges include lack of a legitimate legal framework tailored to suit the needs and models of FBSEs; and the existence of an uncompetitive market environment, which benefits large organizations.

Policy Options

To address these challenges, the government must support FBSEs since they contribute to significant sectors of the nation, such as health, education, food security and housing. For the government to achieve the social pillar goals under Vision 2030, FBOs and FBSEs are fundamental agents that can spearhead its achievement. Therefore, the government needs to formulate policies that enhance and advance the development and growth of FBOs and FBSEs to address social and economic issues without feeling constrained.

Kenya is a test bed for many social enterprises, several of which have been able to scale their operations and serve to inspire other countries. However, despite the social enterprises ecosystem being characterized by a positive view of private sector engagement and many support organisations, there is low public recognition of social enterprises as a distinctive type of venture. Across sub-Saharan Africa, and particularly Kenya, FBSEs face several barriers related to the legal and regulatory

framework, access to the market, financial resources, business support and development structures, capacity training and workforce development. Therefore, basic support and a business environment geared toward appreciating and supporting FBSEs are required.

Policymakers need to adopt a systemic vision of social entrepreneurship and recognize its impact on the social and economic development of the nation. This will enhance the government and other stakeholders' understanding, which will guide the development of a framework that is suitable for FBSEs that will meet their distinct needs and optimize their impact.

Policy Recommendations

Since FBSEs are found in critical sectors that include health, education, society, energy and environment, this study proposes the following policy interventions to support the growth and sustainability of FBSEs in the face of global challenges:

1 Developing a holistic legal framework tailored to support faith-based social enterprises that allows them to be registered as legal entities recognized by law without compromising their mission-driven focus on spirituality, and social and economic sustainability. The Kenya government should borrow a leaf from its European counterparts who have developed comprehensive legislation and strategies through the Organisation for Economic

Co-operation and Development (OECD). Opening government procurement to FBSE by creating legislation that will encourage the FBSEs to access public procurement processes and private-public partnerships.

2 Collaboration between the government and the private sector to create a fund geared towards supporting FBSEs' capacity building and legal support like the Youth Fund, Women Fund, Uwezo Fund and Hustler Fund.

3 Providing sustainable finance for FBSE to spur innovation and development of sustainable ventures among religious women since they rarely pursue traditional sources of funding such as loans from banks, investor funding, and mortgages as they do not understand the needs of social enterprise models.

4 Developing market access for FBSEs to enable them to strengthen their managerial capacity to gain knowledge and skills in developing and executing market strategies.

5 Creating a level playing field by legislating and providing social enterprises with access to funding, access to government procurement and tax benefits/credits that encourage the growth of new faith-based social ventures.

Strengthening training, research and innovation

for policymaking institutions such as the Kenya Institute of Public Policy Research and Analysis (KIPPR), and Public Benefits Organization Regulatory Authority (PBORA) to increase an understanding of the sector and its needs. FBSEs play a critical role in addressing some of the prevailing social and economic challenges within the nation.

Conclusion

Kenya has been a test bed for social enterprises with a positive outlook from the private sector but limited awareness of their unique design and impact. Therefore, developing a coherent policy framework that can support the development and growth of faith-based social enterprises is essential to enable sustainability and maximize their social and economic impact. Whilst this study acknowledges that legislation and policies are important, it also underscores that the process is critical to achieving the intended outcomes. As demonstrated by the holistic approach taken by the SBVP project, a collaborative effort that synchronizes capacity development, an integrated financial solution, a collaborative network and research geared towards understanding FBSEs will generate the desired outcomes.

However, to scale such interventions, a more effective intervention is built through horizontal cooperation (working with different partners -industry,

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foundation, academic, and civil societies) and vertical coordination with the government (respective ministries, parliament, legal systems), among other actors. This will increase a cross-sectional understanding of the FBSEs, reducing information asymmetry and increasing public awareness and support that is required to develop greater policy coherence and effectiveness needed to maintain FBSEs.

An expanded engagement with supporting organizations such as international NGOs, foundations, foreign missions and the government to draw on their experiences and best practices would enhance the support provided to FBSEs.

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This study was supported by Conrad N. Hilton Foundation, the Sisters Blended Value Project (SBVP), the Association of Consecrated Women in Central and Eastern Africa (ACWECA), and Strathmore University Business School (SBS) is gratefully acknowledged.

Published by: Strathmore University Press, Research and Innovation Department

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