GHANA SOCIAL ENTERPRISE POLICY

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CHAPTER ONE

INTRODUCTION

1.0 Background

The development of the Ghana Social Enterprise Policy (GSEP) is in fulfilment of the Government's commitment to promote and grow social enterprises as a means of improving livelihoods, particularly among the youth and contribute significantly to job creation and the achievement of the Sustainable Development Goals (SDGs). The SDGs, also known as the Global Goals, are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030. Adopted by 193 countries, including Ghana, the SDGs came into effect in January 2016, and aim to foster economic growth, ensure social inclusion and protect the environment. Being one of 50 countries in which the post-2015 agenda consultations were held (2012- 2013), Ghana was directly involved in the development of the SDGs and as such the goals reflect the aspirations and needs of the people of Ghana.

This Policy is designed to align with the SDGs and complement Ghana's Second Medium- Term Private Sector Development Strategy (PSDS II, 2012-2017) and other development programmes and strategies that seek to develop a thriving private sector for the country. The Policy therefore focuses on supporting the growth of Small and Medium Scale Enterprises (SMEs) that play an increasingly vital role in building more resilient communities within the social enterprise sub-sector of the economy.

It is worth mentioning that conscious efforts to address the challenges of the private sector started in the second half of the year, 2006 with the implementation of the first Medium-Term Private Sector Development Strategy (PSDS I, 2006-2010). The main objective of the PSDS II was to consolidate the gains made under PSDS I which were mainly in the area of creating a conducive business environment and also support production at the firm level to enable businesses to harness benefits. However, there were some serious challenges which affected the implementation of the strategy, hence the decision of the PSDS Board and the Ministry of Trade to extend the implementation period. The Social Enterprise Policy is therefore developed to complement the PSDS II to drive both economic and social goals of the strategy at the enterprise level and in addition support efforts at effectively implementing and monitoring the Global Goals.

There is an emerging social enterprise sub-sector that has grown consistently over the years, but at a slow pace. This policy is therefore, expected to become a major driver of innovating local led or owned business modelled innovations to address sustainable development challenges, increase productivity, boost incomes and contribute to building resilient communities and economy.

Following from the above, it is important that the government establishes strong partnership with players within the social enterprise sub-sector and other stakeholders to create the necessary regulatory and legal environment to develop the sub-sector.

1.1 Situational Analysis and Rationale for the Social Enterprise Policy

Social entrepreneurship has existed in Ghana before independence with traditional associations formed around trade groups such as fishing and farming. The groups, in addition to supporting each other's businesses, undertake community projects. In recent times as the term Social Enterprise has become more mainstreamed and the country is seeking to move beyond aid, Ghana's social entrepreneurs have begun to recognize themselves as catalysts, leading to growth in impact investment and reduction in inequality.

Some developments in the social enterprise ecosystem that continue to spur interest in the sub-sector in Ghana, includes:

- The emergence of start-ups experimenting with social, environmental and profit models as well as combinations of these models.
- The establishment of a number of accelerators, incubators and hubs since 2012.
- The formation of the Social Enterprise Ghana (SE Ghana) in early 2016; an affiliate of the Social Enterprise Africa (SEA).
- The establishment of the GIMPA Center for Impact Investing (GCII).

In Ghana, social enterprise comes with a distinct attribute of economic empowerment, and the creation of economic opportunity for all. Globally, social enterprises are thriving and as a result changing the terms of doing business whiles empowering the poor. As Ghana develops further and international aid reduces, social enterprise presents one alternative to harness local and global funds and innovation to drive inclusiveness by creating opportunities for all leading to social transformation.

The present economic, political and social conditions of Ghana are favourable for the growth of social enterprises. However, social enterprises in Ghana are confronted with some challenges including high cost of credit, inadequate regulation of the sub-sector, unstable exchange rate between the cedi and major currencies and inadequate infrastructure (hard and soft) to support their operations.

Provided below are some of the specific challenges of the social enterprises sub-sector:

1. Inadequate funding for social enterprises given that access to capital remains one of the major challenges of SMEs in Ghana
2. Regulatory landscape can be difficult to navigate for social entrepreneurs and arguably does not reflect the trend towards blended value. For instance, social entrepreneurs struggle to access existing tax exemptions and other benefits granted to organizations with a social purpose.

3. Skills gaps, especially around taking a social enterprise to scale and accessing markets and consumers in Ghana, across Africa and globally.
4. Inadequate data on the social enterprise sub-sector; its size, impact, opportunities and needs.
5. High cost of energy.

To address the challenges above and ensure the effective growth of social enterprises, there is the need for government to put in place appropriate policy interventions which include the following:

1. Well-defined regulatory framework for the sub-sector
2. Adequate and affordable power supply to businesses
3. Reduction in the cost of capital i.e. interest rates
4. Reduction in government's borrowing on the local financial market to enable businesses to access capital
5. Stable exchange rate between the Cedi and major foreign currencies

Notwithstanding the challenges identified above, there are some social enterprises that are doing well and have gained global recognition. These enterprises have been adding value to productivity, creating jobs, improving the environment, and improving social values, particularly in the rural communities. It is expected that if the conditions improve, there will be more of such enterprises to contribute towards growth and development.

1.2 Rationale for Social Enterprise Policy

It is difficult to quantify the impact of social enterprises on a country's economy or the social development landscape because of inadequate data. However, a study on the State of the Social Enterprise Sector in Ghana (published by the British Council in 2016) indicates that social entrepreneurs exist in many sectors of Ghana's economy including Agriculture, Finance, Clean Technology, Health, Education, Justice, Water and Sanitation which are directly aligned to the Global Goals.

Social enterprises contribute towards the implementation of national as well as sector strategies key among them being the SDGs for specific purposes such as employment creation, efficient provision of social services and environmental sustainability. Some specific opportunities offered by social enterprises include the following;

- Sustainable market-based solutions to pressing social issues
- Development of patient local private capital and attraction of external funding for investment
- The emergence of new sectors to create jobs for the populace, especially in poor and rural communities.

The Overseas Development Institute (ODI) 2015 report on social enterprise development in Ghana indicates that there are few social enterprises operating in Ghana and none reached medium-sized operations. It is observed that social enterprises are in their formative stages and thus there is not much of an ecosystem of business support or investment in the sub-sector.

To address this, some social entrepreneurs, intermediaries and other partners have come together to form Social Enterprise Ghana (SE Ghana) a sub-sector group whose aim is to support the development of a strong and vibrant eco-system for social entrepreneurship and contribute to the achievement of the SDGs

Though there is no policy for the sub-sector, even though Ghana is considered as one of the leading countries spearheading social enterprises development in West Africa. Despite these pioneering efforts, it remains true that the sub-sector is young and fragile. The timing is therefore right for government to focus on this sub-sector that presents an alternative in business modelling to addressing social and environmental objectives enshrined in the Global Goals by taking policy actions to accelerate its development.

CHAPTER TWO

POLICY CONTEXT AND DEVELOPMENT OBJECTIVES

2.0 Introduction

This chapter sets out the policy framework, the vision, and strategic goals and also outlines the key outputs or results that the policy seeks to achieve. The basis for the policy recommendations are the situational analysis, review of private sector development strategies, consultations held with stakeholders in the social enterprise community and review of social enterprise policies in other parts of the world. The lessons learnt from the implementation of the Private Sector Development Strategy (PSDS) I and II also influenced the choice of policy prescriptions and recommendations.

2.1 The Vision of the Policy

A vibrant social enterprise sub-sector that drives innovation, create jobs and scales-up enterprise-based solutions to social problems and the achievement of the SDGs in Ghana.

2.2 The Goal of the Policy

Support achievement of the SDGs through the growth of strong, innovative and financially sustainable social enterprise sub-sector that drives measurable social impact in prioritized areas of social need, provide jobs and support economic transformation especially for the urban and rural poor.

2.3 Strategic Objectives

- To create an enabling regulatory environment for Social Enterprise Development.
- To increase funding to social enterprises through innovative funding mechanisms.
- To increase training and support for social enterprises, champion a culture of innovation, and develop the SE ecosystem with a focus on supporting the effective implementation of the SDGs
- To identify key sectors and promote SE activities in those sectors to drive measurable social impact.
- To ensure adequate data collection and research to track and measure progress of SEs and the implementation of the SDGs.

2.4 Guiding Principles of the Policy

The Policy is underpinned by the following principles:

- Gender mainstreaming in the social enterprises sub-sector.

- Special focus on the vulnerable including women and children in respect of opportunities.
- Strong political commitment to ensure development of the sub-sector.
- Strong private sector commitment to ensure the development of the sub-sector
- Adequately resourced institutions (public and private) to facilitate the growth of social enterprises.
- Sustainable resources to support the development of social enterprises.
- Environmental sustainability of SE activities.
- Strong focus on innovation and technology in driving impact.

These principles will ensure that the policy drives SGD Goal 9: Industry Innovation and Infrastructure, Goal 12: Responsible Consumption and Production and Goal 16: Peace, Justice and Strong Institutions

2.5 The Definition of Social Enterprise

Enterprises usually pursue either profit by selling into the market or focus on social programs with no commercial motive. After achieving their primary objectives, commercial entities may decide to support social programmes. The regulatory structures of the country have supported this dichotomy with business registration forms that are either for-profit (limited by shares and sole proprietorship), or non-profit (companies limited by guarantee and cooperatives).

The world of business is however changing. Some businesses still prioritise the short-term, narrow pursuit of profit above wider impact on people's lives, communities and the environment, sometimes causing significant negative side effects. However, many commercial entities are showing tremendous interest in social impact and the SDGs, with some making it the central focus of their operations. These entities act as more responsible corporate citizens – realising that long-term sustainability can be better supported by building trust amongst customers, stakeholders and the wider community, through responsible environmental stewardship, and a commitment to eliminate or reduce disparities and inequalities as hinged on the Global Goals.

Some enterprises go beyond tokenistic Corporate Social Responsibility gestures, embedding social, environmental considerations and supporting SDG implementation efforts at the heart of their business practices. Social impact programmes with no commercial practices are also realizing the need to incorporate earned income models into operations and strategy in order to generate enough revenue to sustain operations and also social impact made.

Social enterprises may be considered as organizations set up with *a primary social purpose,* they trade in markets, earn income through the sale of products or services, and thrive through their ability to attract real customers.

A social enterprise therefore is an organization that applies business strategies to achieve social and environmental goals. The focus of the organization should be social impact first, profits second.

In Ghana social enterprises can be structured as a for-profit or non-profit and may take the form of a co-operative, mutual organization or a charity organization.

2.6 Features of Social Enterprises

The key features of social enterprises include the following:

- They deliver social values to the underserved and vulnerable.
- Act entrepreneurially through a combination of business models.
- Act within entrepreneurially oriented organizations that have a strong culture of innovation and openness.
- Act within financially independent organizations that plan and execute earned-income strategies.

2.7 Strategic Sectors

To achieve the vision, goal and objectives of this policy, there is the need to promote SE activities where they are already making impact and are aligned to specific SDGs

The sectors and corresponding SDGs are;

Economic Empowerment and Financial Inclusion	Goal 1 - No Poverty Goal 5 - Gender Equality Goal 8 -Decent work and economic growth Goal 10 - Reduced Inequalities
Agriculture & Fishing	Goal 2- Zero Hunger Goal 14: Life Below Water Goal 15: Life on Land
Sustainable Energy	Goal 7 – Affordable and Clean Energy Goal 13 - Climate Action
Education	Goal 4- Quality Education
Health	Goal 3 – Good Health and Wellbeing
Water & Sanitation	Goal 6 - Clean Water & Sanitation
Sustainable Communities	Goal 11: Sustainable Cities & Communities

By collaborating with state, private sector and other actors SE's also drive Goal 17: Partnerships for the goals.

The sectors were identified through studies conducted by SE Ghana in 2015 and would serve as a starting point for the implementation of this policy, later to be scaled to include all Global Goals. These sectors directly impact the lives of every Ghanaian and are part of government's current priorities.

CHAPTER THREE

THEMATIC AREAS AND POLICY PRESCRIPTIONS

3.0 Introduction

To support the budding social enterprise sub-sector and enable it to grow, some policy contexts, objectives and prescriptions have been developed under six (6) thematic areas. These policy interventions are expected to address constraints that were identified and discussed in the situational analysis.

The thematic areas were developed on the basis of the outcomes of the review of private sector development strategies, the SDGs, consultations held with stakeholders in the social enterprise community and the review of social enterprise models of other countries.

3.1 The Thematic Areas

The under-listed thematic areas are the focus of this Policy. They constitute the strategic pillars of the policy objectives and prescriptions.

- Regulatory Environment
- Financing for SE
- Training and Capacity Building

- Research, Statistics and Information
- Technology and Innovation
- Cross-Cutting Issues

3.2 Regulatory Environment

3.2.1 Description

Government is determined to ensure that the best investment climate exists in Ghana, to attract the needed investment into the SE sub-sector in support of the implementation of the SDGs. This requires that the necessary legislation and regulations are put in place to create a favourable environment within which businesses can thrive and also protect the interests of all stakeholders.

3.2.2 Policy Context

Under the current Companies Code, 1963 (Act 179), there is no provision for the registration of social enterprises. Consequently, social enterprises are registered as sole proprietorships, limited liability companies or companies limited by guarantee. Resulting from this is the challenge of accessing existing exemptions and incentives that exist within the current regulatory framework among others. For example social enterprises registered as companies limited by guarantee still face problems obtaining tax exemptions when importing equipment for use in their operations.

3.2.3 Policy Objectives

- To ensure that the regulatory environment supports the development of social enterprises.
- To ensure that social enterprises including start-ups are able to access incentives.

3.2.4 Policy Prescriptions

- Government will create a legal framework for the registration and management of social enterprises.
- Government will review existing tax legislation to include incentives such as tax breaks and other exemptions for social enterprises, attract impact investors and donors for increased investment in the sub-sector.
- Government will review public business support programmes to allow access by SEs.
- Government will develop regulations to monitor and assess social impacts, and the alignment of their activities to the SDGs.

3.3 Financing for Social Enterprises

3.3.1 Description

Funding is essential for the growth and sustainability of businesses. Lack of funding has been identified as one major constraint to the development of enterprises in Ghana. The availability of capital remains low and its cost high for all enterprises in Ghana. In cases where funds are available, cumbersome procedures and unfavourable requirements inhibit SEs from accessing them. For the social enterprises to grow there is the need to ensure that policies deal effectively with the issue of finance.

3.3.2 Policy Context

Availability and accessibility to short, medium and long term financing is essential for SE development linked to the achievement of the SDGs. There is a general lack of medium and long term funds for businesses. The high cost of borrowing limits access to credit and raises the cost of doing business for SEs and this restricts the scope for growth.

3.3.3 Policy Objectives

- To ensure adequate funding for start-ups and growth capital for existing social enterprises.
- To ensure that there is transparency in lending to SEs from financial institutions.
- To ensure the availability, accessibility and affordability of funding to start-ups.

3.3.4 Policy Prescriptions

- Government in partnership with the private sector will set up Social Enterprise Funds.
- Government will support innovative initiatives to harness unused resources in the various sectors such as dormant accounts in the financial sector to fund the SE sector
- Government will support efforts by the private sector (e.g. SE Ghana) to establish a directory and the certification of social enterprises.
- Government will facilitate the implementation of favourable financial regulation especially the e-money policy of the Bank of Ghana and the Payment Systems Act, 2003 (Act 662).
- Government will facilitate SEs access to funding from public and quasi-public institutions.
- Government will review existing legislations to allow for Crowd Funding of debt, equity and other forms of innovative financing in Ghana.

3.4 Training and Capacity Building

3.4.1 Description

The manpower needs of social enterprises mostly comprise of specialised skills, in leadership, management and business development. Currently, organizations such as British Council of

Ghana and Reach for Change run workshops, incubators and accelerators for social entrepreneurs. These efforts are concentrated in the geographic areas served by these organizations. There are also capacity building programmes being organized by public institutions for entrepreneurs. However, training and capacity-building programmes organized by existing institutions are not easily accessible to some entrepreneurs.

3.4.2 Policy Context

Ghana's SE sub-sector is characterised by low levels of entrepreneurial and managerial skills, slowing the pace of development of the sub-sector. The lack of adequately trained manpower for identified SE strategic sectors constrains the growth of these sectors and in effect support for the achievement of the SDGs. The availability of such personnel in these key sectors is an essential pre-requisite for SE development. The supply of entrepreneurs with the skill to start and grow social enterprises is limited due to the structure and curriculum of the educational system.

3.4.3 Policy Objective

To provide a pool of entrepreneurs with the required skills and competencies for the social enterprise sub-sector.

3.4.4 Policy Prescriptions

- Government will collaborate with the private sector to provide a co-ordinated training and capacity building for social entrepreneurs and deepen their understanding of the SDGs

Government, in collaboration with relevant institutions will support the development of a pipeline of social entrepreneurs who well placed to develop market oriented solutions to the achievement of the SDGs that can be harnessed to achieve the SDGs and alignment of activities to the SDGs for seamless implementation. These weaknesses manifest themselves in systemic dysfunction, usually reflected in poor planning, unsustainable environmental practices, and workplace discrimination of all forms including gender.

3.7.2 Policy Context:

Promoting growth in the social enterprise sub-sector, whilst safeguarding the environment can be achieved by introducing environmentally sustainable technologies and improved production and waste disposal processes.

Gender issues have not received the required recognition in social entrepreneurship, particularly the vulnerable. Hence, by directly linking the policy to the SDGs, issues of gender inequality and discrimination will be adequately addressed in where they are manifest.

3.7.3 Policy Objectives

- To ensure environmentally sustainable production in the SE ecosystem.
- To ensure equal opportunities for all, in the social enterprises sub-sector.

3.7.4 Policy Prescriptions

- Government will promote social enterprises in these five prioritised sectors aligned to the SDGs; economic empowerment and financial inclusion, agriculture, sustainable energy, education and health.
- Government will facilitate the development of programmes that promote the efficient use of raw materials, energy and water in social enterprises.
- Government will encourage social enterprises to adopt cleaner production technologies.
- Government will promote the adoption of relevant standards on environmental management within the SE sub-sector.
- Government will encourage the introduction of pro-gender policies within the social enterprises sub-sector.
- Government will continue to promote equal opportunities in the labour market and encourage continuous capacity building, especially for vulnerable groups in the SE sub-sector.
- Government will continue to promote programmes on gender awareness in the sub-sector.

CHAPTER FOUR

IMPLEMENTATION ARRANGEMENTS

This chapter outlines the institutional framework for the implementation and co-ordination of this policy for the achievement of the set goals and objectives which are also aligned to the Global Goals..

4.1 Institutional and Implementation Framework

This policy is developed to help support a nascent sector that has already spurred innovations. Its implementation will be informed by the need for using a variety of instruments each suited to its purpose. Above all, implementation will be guided by the need to ensure that resources and efforts would be directed at where impact would be maximized.

4.2 Approach to Implementation

The policy implementation will be based on a stakeholder driven (bottom up) approach. This will enable priorities to be set and resources deployed by stakeholders involved in the implementation. This will allow for more flexibility in programme design and implementation and, thus, guarantee greater success.

The policy is flexible, allowing for activities to change in response to results and feedback from the beneficiaries.

4.3 Project Management and Coordination

Implementation will be done through the under-mentioned structures:

- A Ghana Social Enterprise Development Council
- A Ghana Social Enterprise Co-ordinating Committee
- Implementing Entities

4.3.1 Social Enterprise Development Council

This Council will lay down policies, review progress and guide the GSEP Co-ordinating Committee on priority activities and a scale up of SDG aligned areas. .

In line with the new partnership between the public and private sectors, membership of the Council will be made up of representatives of GoG (the Ministry of Trade and Industry and other Ministries whose activities impact on the social enterprise sub-sector); Representatives of the Social Enterprise sub-sector; academia; and Development Partners.

4.3.2 The Coordinating Committee

The Committee will coordinate the activities of the implementing entities. The Committee will be made up of five people. Two from the Ministry of Trade and Industry and three from outside the Ministry as follows: the Social Enterprise Community, Entrepreneurs and intermediary organizations. The Committee will elect from among them a Chairperson.

4.3.3 Implementing Entities

A number of implementing entities such as Registrar General's Department, Domestic Tax Unit of the Ghana Revenue Authority and the National Board for Small Scale Industries will be needed to implement the policy.

4.4 Monitoring And Evaluation

An M&E system with a defined framework will be designed to track the progress of the implementation of the policy. The M&E strategic framework will identify key indicators for the goal in tandem with SDG targets, purpose and outputs contained in this Policy.

In this regard, a baseline data will be put together before implementation begins. The data will be related to activities of existing social enterprises viz a viz the set targets and objectives.

Corrective actions will be planned and implemented for Initiatives that are not delivering the anticipated outputs and outcomes. Support from the M&E Ministry and Ghana Statistical Service will be needed to build synergy at the district, regional and national levels for the monitoringimplementation of activities and targets in this policy aligned to the SDGs.

4.5 Communication Plan

To achieve the objectives of this Policy, it is important that it receives widespread awareness and acceptability, and that all stakeholders are clear of their roles and accept responsibility for its implementation. For this reason, a comprehensive communication strategy and sensitization programme will be developed together with relevant stakeholders including the GOG, Private Sector and CSO platform on SDGs to be and implemented throughout the country.

All available channels of communication including print, electronic, broadcast and direct sensitization through workshops and seminars, will be employed particularly for social enterprises, manufacturers, wholesalers, retailers and the various associations and the general public.