



REPORT ON IMPACT INVESTING IN GHANA

-  IMPACT INVESTING LANDSCAPE
-  IMPACT OF IMPACT INVESTING
-  IMPACT OF COVID 19 ON SOCIAL ENTREPRENEURS IN GHANA

***PREPARED FOR SOCIAL ENTERPRISE GHANA
BY PROF. E. OFORI ASAMOAH***





The Study explores the impact investing landscape in Ghana as well as impact of social enterprises on the Ghanaian economy. The report consists of four sections; Ghanaian social impact investing landscape, impact of social investing and need for social investing fund. The findings of the study indicated that social enterprises in Ghana operate in the following sectors or business forms:

- Education
- ICT and Cyber security
- Women focus business
- Telecommunication,
- Agribusiness and;
- Water and sanitation

A review on available policies and regulation revealed that there are no clear-cut guidelines of how to enhance and regulate the impact investing activities in Ghana. There are scattered, piece-meal policies and legal framework for impact investing ecosystem in the Ghana compared to developed countries. Impact institutions in Ghana provide varying levels and combinations of social, economic

and environmental benefits to differing extents through their operations. However, debt financing such as overdrafts and loans appear to be the first option of finance for both commercial businesses and impact investors.

Furthermore, there is poor access to capital and this is evidenced in 90% of the respondents agreeing that high collateral requirements by financial institutions is a major barrier in accessing funding in Ghana by social entrepreneurs. This leads to an urgent need to explore new and innovative ways to finance social enterprises. A Social Impact Fund was suggested as an important innovation to fill this gap in the impact investment market. Information from 36 social impact practitioners in the country, 90% stated that there is need for establishment of impact investing fund in Ghana. The Report further outlined steps for Impact Fund application process if the fund is so established.

The Report also assessed the impact of COVID 19 on social impact investing in Ghana. The study targeted social investing companies throughout Ghana. Thirty six (36) decision makers and practitioners in the social investing ecosystem responded in addition to focus group discussion with 5 institutions associated with impact investing. The study revealed that COVID 19 has affected their businesses. The practitioners and decision makers in the social enterprise ecosystem agreed that it has affected their business operations both positively and negatively.

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LIST OF ACRONYMS

BCG.....	Boston Consulting Group
GAIN.....	Ghana Angel Investors Network
GAX.....	Ghana Alternative Market
GIIF.....	Ghana Infrastructure Investment Fund
GIMPA.....	Ghana Institute of Management and Public Administration
GNPC.....	Ghana Investment Promotion Centre
IDG.....	Initiative Development Ghana
ICT.....	Information Communication Technology
MASLOC.....	Microfinance and Small Loans Centre
MSME.....	Micro, Small and Medium Enterprises
NBSSI.....	National Board for Small-Scale Industries
NGOs.....	Non-Governmental Organizations
RIP.....	Rural Enterprise Project
SEs.....	Social Enterprises
SMEs.....	Small and Medium-Scale Enterprises
VCTF.....	Venture Capital Trust Fund

SECTION ONE

THE GHANA IMPACT INVESTING LANDSCAPE

1.0. PURPOSE AND OBJECTIVES OF THE STUDY

The purpose of the study was to undertake research on the Ghanaian impact investing landscape to understand the state of impact investment in Ghana.

To achieve this purpose or the aim, the following were the specific objectives for the Study;

- To identify the degree of impact investment received by Ghanaian social enterprises;
- To identify sectors impact investors operate or focus on in Ghana;
- To assess the need or justification for establishing an impact investment fund;
- To identify the potential sources to fund the proposed Impact Investing Fund if so established per objective three (3) findings;
- To identify the underlying barriers to social entrepreneurs accessing impact investment and patient capital in Ghana;
- To make recommendations on how the barriers so identified can be overcome;
- To assess the impact of COVID-19 on social entrepreneurs in Ghana;
- To present and disseminate Report on the findings.

1.1. IMPACT INVESTING CONCEPT

The GIIN (2015) defines impact investing as investments made into companies, organizations and funds with the intention to generate social and environmental impact alongside a financial return. According to JP Morgan and the Rockefeller

Foundation (2010), impact investing is investment designed with intent to generate positive social or environmental impact. They highlighted that the business into which the investment is made should be designed with intent to make a positive impact. A commonly accepted definition of social impact investing remains a matter of debate, however, from a retail investment perspective, social impact investing seeks to generate social impact alongside an acceptable rate of financial return for the individual investor. Impact investing is the investment in the shares or loan capital of companies and enterprises that not only measure and report their wider impact on society but they also hold themselves accountable for delivering and increasing positive impact unlike philanthropic investments where investors are willing to forgo their original investment through philanthropy (Personal finance society). Impact investors invest both directly into enterprises and projects and indirectly through financial intermediaries such as fund managers.

Impact investment can be used to finance the day-to-day delivery of a specific programme, such as upfront funding to deliver an outcome-based contract or it can be used to help enterprises realize their mission over the long term by helping them develop their strategy and service model and expand their operations. It demonstrates how finance can be harnessed to make progress across the private, public and impact sectors and, perhaps most notably, in the areas where they intersect.

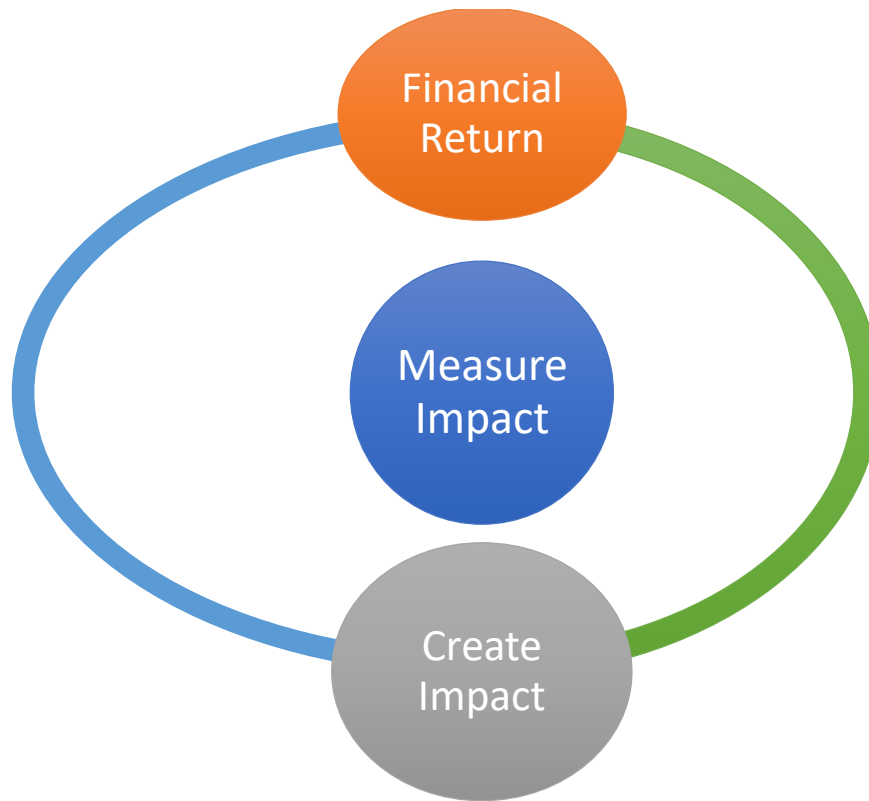


Figure 1: Impact Investment Objectives

1.2. OBJECTIVES OF IMPACT INVESTORS

Impact investors are defined as those having the following three features:

- a. **Expectation of financial return:** Expectation of a positive financial return over the life of the *investment*.
- b. **Intention to create impact:** Stated intention to create positive social or environmental impact.
- c. **Commitment to measure impact:** Commitment to measure and track social and/or environmental impact (GIIN, 2017).

According to a BCG and Young Foundation paper in 2011, the key criteria of impact investment should be that impact returns are clearly defined *a priori* and are not an incidental side effect of a commercial deal and that the investor expects a financial return of at least a repayment of capital (Brown and Norman, 2011).

Impact investors have express purpose of creating a positive social or environmental impact. Impact investor is forward-looking; it aims to identify businesses and organizations pursuing purpose-led activities with the intention of delivering products and services, which tackle the underserved needs of



Figure 2: Impact Investment in Ghana

Impact Investment in Ghanaian context is defined as **investment in any enterprise designed with intent to generate positive social, economic, and environmental impact, without destroying society or the environment.**

This is because concept of impact investing as well as social enterprise is not universally nor consistently defined in Ghana. Social impact enterprise models in Ghana are typically hybrid business forms, and in order to provide support to businesses that are distinct from mainstream SMEs, recognition and encouragement of such models will be important. Hybrid social enterprise forms can occupy niches that NGOs, the state and the mainstream private sector struggle to reach, and for this reason, in particular they may merit particular support (British Council, 2015).

1.3. TYPES OF IMPACT INVESTING

There are three types of potential impact investors from which Social Enterprise can source financing. These are Investors with Impact expectation first, Investors with finance expectation first and Investors without financial return expectation.

a. Investors with Impact Expectation First

Investors with impact expectation first seek to optimize social or environmental returns and are prepared to give up some financial returns if they have to. According to Rockefeller Foundation (2011), impact investors, by definition, seek impact beyond financial return. Thus, impact investors typically look for investment opportunities that are likely to produce substantial social, economic, or environmental impact.

b. Investors with finance expectation first

These investors are those who seek out subsectors that offer market-rate returns while achieving some social or environmental good. These groups of investors are driven by financial motivations. They typically expect a market return on their investments. Even though social value creation is not at the top of their priority list, they still serve as potential funding providers for Social Enterprises.

c. Investors without financial return expectation.

These types of investors have no financial return expectations (Spiess-Knafl and Jansen, 2013). The social value of the investment project is the only part of the return they value. Within this investor class, there are donors or foundations on the one hand and investors that expect capital recovery on the other (EIF, 2017).

1.4 IMPACT INVESTING ENVIRONMENT IN GHANA

Over the years, impact investing is gaining attention in Ghanaian community. In 2004, Parliament of Ghana passed the Venture Capital Trust Fund (VCTF) Act (Act 680), as a strategic initiative to address the perennial lack of access to long-term funding for Ghanaian SME businesses. VCTF finances five venture-capital funds that have invested \$57 million in 49 portfolio companies.

In 2011, VCTF set up the Ghanaian Angel Investor Network (GAIN) to formally organize wealthy individuals to invest in and mentor entrepreneurs. GAIN is the first angel investor network of its kind in Ghana and is designed to promote angel investing as an alternative form of financing business start-ups in Ghana.

VCTF established Ghana Alternative Market (GAX), an alternate listing on Ghana's stock market specifically established for companies with significant growth potential. As the entry cost into the primary market exchange is too expensive for smaller businesses, the GAX will offer a more accessible option for SMEs to attract investment while at the same time providing an avenue for Venture Capital Fund Managers to exit their portfolio investments.

Specialized research units have been established as the Centre for Impact Investing at the Ghana Institute of Management and Public Administration. However, this growth has been uneven and slow in terms of gaining both real scale and sustainability. Impact investors in Ghana have deployed approximately USD 430 million in indirect investments through funds and intermediaries. Just as Ghana is the second largest economy in the West Africa after Nigeria, it also enjoys the second largest share of impact investments.

A strong flow of early-stage social enterprises is vital to building a portfolio of investable ventures, because many will fail – as in traditional business.

Social enterprises in Ghana operate in the following sectors or business forms;

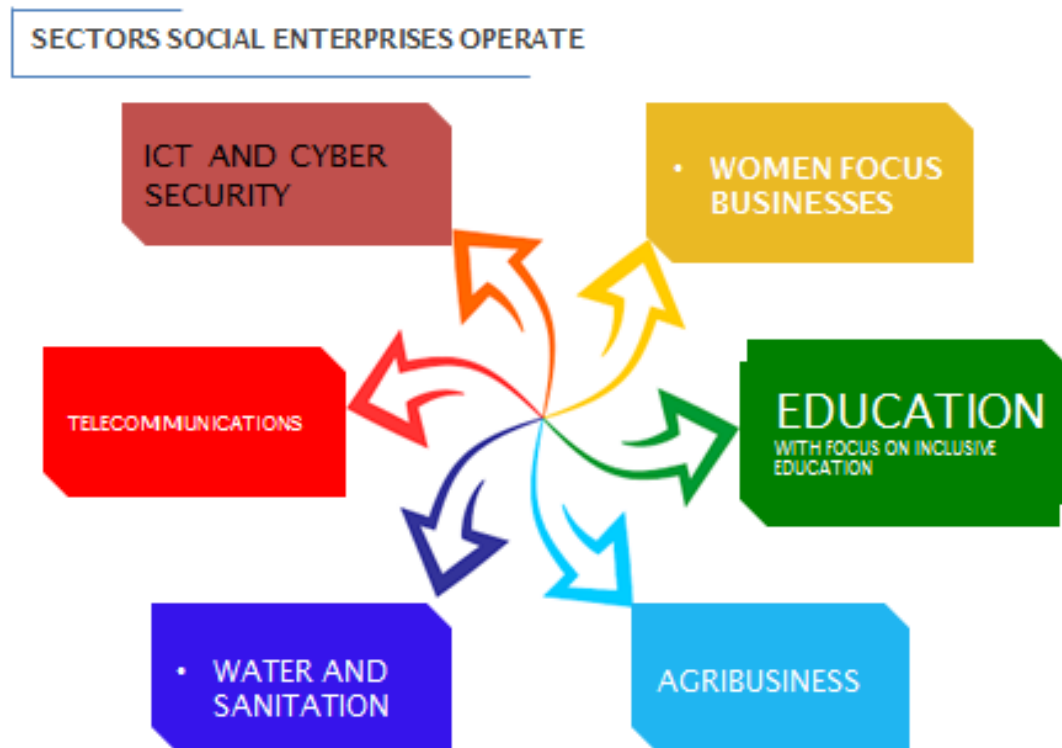


Figure 3: Sectors to Operate

1.4.1 Ecosystem of Impact Investors

The practice of investing for impact is not new in Ghana. Institutions have been making both formal and informal investments into enterprises to generate benefits that are more than purely financial for decades. Areas of impact investment in Ghana include:

- For-profit funds
- Non-profit organizations
- Government sponsored funds
- Commercial banks

- Pension Funds
- Technology Funds
- Financial Managers of Individuals
- Foundations and private family office wealth (Rockefeller Foundation, 2011).

Examples of impact investing actors in Ghana is depicted in table 1.

Table 1: Ghanaian Impact Investment Ecosystem Actors

Ecosystem Actors	Institutions
Incubators	Initiative Development Ghana(IDG), ServLed and Meltwater Entrepreneurial School of Technology(MEST)
Technical Assistance Networks	Ghana Investment Promotion Centre (GIPC)
Research Bodies	Ghana Angel Investor Network (GAIN), The African Private Equity and Venture Capital Association Ghana Institute of Management and Public Administration (GIMPA)- Centre for Impact Investment

Global Impact Investment Network (2015)

Table 2: Impact Funds/firms in Ghana

Name of institution	Organization type	Focus Area
Acumen	Impact investor	Invests in businesses across the globe to eradicate poverty. Builds the capacities of the leaders of the companies they invest in to run their companies efficiently.
Injaro Investments	Impact investing	Invests in social impact activities in agriculture across sub-Saharan Africa. It has invested in Sekaf Ghana, which processes shea nut into shea butter skincare products.
AgDevCo	Impact investor	Invests in scalable agribusiness to increase food security as well improving livelihoods. The ultimate goal of AgDevCo is to eradicate poverty.
Lundin Foundation	Impact investor	Invests in small and medium sized businesses with the potential to create employment opportunities and in the process reduce poverty in a sustainable fashion.
JCS Investments	Impact Investment	Invests in impact-driven businesses in the financial services sector as well as SMEs, particularly in rural Ghana.
Root Capital	Impact Investor	Root Capital is an agribusiness-focused impact investor supporting small-scale farmers to create sustainable livelihoods in rural areas.
Oasis Capital	Impact Investment	Invests in impactful projects in Africa through the financing of SMEs.
Slice Biz	Impact Investment	A crowd-funded micro investment platform providing finance for entrepreneurs to scale-up their businesses

British Council (2016)

1.4.2 Legal and Regulatory Framework of Impact Investing in Ghana

Impact investing has been regarded as a socially good endeavour; it requires definition in Ghanaian context and thorough elaborations. There are no clear-cut guidelines of how to enhance and regulate the impact investing

activities in Ghana. There are scattered, piece-meal fashioned policy and legal consideration for impact investing ecosystem in Ghanaian economy as compare to countries like United Kingdom, United State of America and Australia, which have established institutional and legal framework. It requires the codification of the relevant laws and regulations on impact investment. The legal and regulatory framework on impact investing in Ghana could be summarized as follows;

- ✚ There is lack of a comprehensive policy and legal framework on impact investment in Ghana. There are no clear-cut guidelines of how to enhance and regulate the social impact investing activities within Ghana.
- ✚ There is little or no policy and legal consideration for impact investing and social enterprise ecosystem in Ghanaian economy as compare to countries like United Kingdom, United State of America and Australia, which have established institutional and legal framework.
- ✚ For instance, in UK, Public Procurement is regarded as important source of social enterprise custom, which is backed by law for passing of the Social Value Act, 2013, which requires public bodies to consider choosing providers based on the social value created in an area and not on cost alone.
- ✚ The Ghanaian Public Procurement Act, 2003 does not make provision for social enterprise. The Act is not clear about MSME participation even though its participation is referenced in the Act. These inadequacies in the

Ghana procurement policy in promoting MSME and impact investing in public procurement may affect negatively on small firms.

However, Ghana has provided enabling investment environment by actively providing incentives for investment, including the following:

- ❖ **Tariff exemptions on large machinery imports** to encourage enhanced enterprise productivity through mechanization, especially for enterprises involved in manufacturing.
- ❖ **Double taxation agreements** with a number of countries to prevent multinational organizations and foreign citizens from paying tax both in Ghana and in the countries in which they are domiciled.
- ❖ **Tax holidays** for specific sectors ranging from five to ten years of tax-free operation depending on the size, scale, and location of the investment. Examples of sectors that may receive such incentives include rural access to finance, affordable housing, and agricultural investments.
- ❖ The Government of Ghana has liberalized its pension fund sector and as a result, the Social Security and National Insurance Trust (SSNIT) invests 3% of its portfolio through private equity vehicles. The trust works with one local fund (Fidelity Equity Fund II Ltd, which is focused on SMEs) and three pan-African funds.

Table 3: Social Impact Relevant Policies in Ghana

Policy Type	Policy Name	Objective
Strategy	The Coordinated Programme of Economic and Social Development Policies (2014-2020): An Agenda for Transformation.	Sets out the policies, programmes and strategies for achieving socio-economic transformation including a special emphasis on small and medium sized enterprises (SMEs) as part of a dynamic, efficient and competitive private sector.
	Second National Medium Term Private Sector Development Strategy 2010-2015	Sets out the policies, programmes and strategies for achieving socio-economic transformation including a special emphasis on small and medium sized enterprises (SMEs) as part of a dynamic, efficient and competitive private sector.
Investment/ Finance	Micro and Small Loans Centre	Established in 2005 to offer loan finance to the micro and small enterprise sector. This was intended to enhance access to credit by groups and individuals for business expansion.
	Venture Capital Trust Fund (Act 680) 2004	A revolving fund operating in priority sectors, such as agriculture, pharmaceuticals, tourism, energy, and information, communications and technology to provide low-cost finance to SMEs. Established the Ghana Angel Investor Network to bridge funding and mentoring gaps for early stage ventures.
		Legislation establishing the Ghana Free Zones Board and the Ghana Investment Promotion Centre respectively, both to

		promote and facilitate investment through, for example tax breaks
	The Free Zone Act, 1995	
	Ghana Investment promotion Centre Act, 2013	
	Social Investment Fund(ACT 179)	Set up in 1998 and is mandated to contribute significantly to reducing rural and urban poverty in Ghana through the provision of targeted assistance to poor/deprived communities in Ghana, including through civil society organizations and SMEs.
Enterprise and NGO legislation	Registration of Business Names Act, 1962, Incorporated Private Partnerships Act, 1962 , Companies Act, 1963, Cooperative Societies Act 1968	Legislation covering registration of businesses and NGOs and cooperative societies, but with no specific legal form for social enterprises

British Council (2016)

1.4.3. Challenges of Impact Investing in Ghana



Limited
Alternative
Capital



Limited Grant
Opportunities

Limited Advisory
Services



Inadequate Technical
Skills

Financial
Institutions not
appreciate SEs
Works



Need for Thought
Leadership on
National Issues

Cashflow
challenges



Over Concentration on
Health and Education



Lack of Focus

SECTION TWO

ASSESSMENT OF IMPACT INVESTMENT ON GHANAIAAN ECONOMY

2.0. INTRODUCTION

Impact investing involves the unlocking and placement of capital to achieve social or environmental impact as well as financial returns. For instance, outcome-based financing approaches are receiving increasing attention and experimentation as a means of mobilizing private capital to finance public services. The field of impact investing is part of a larger international effort to develop and scale-up innovative financial products and services aimed at addressing the complex global problems of poverty, unemployment, climate change and disease (Rockefeller Foundation, 2014). The impact investment ecosystem in Ghana provides quality jobs, facilitate local asset accumulation, purchase inputs from local or smallholder providers or promoting energy efficiency and through the goods or services they make available to low income consumers, such as affordable health care, clean water, education or access to energy.

Impact institutions in Ghana provide varying levels and combinations of social, economic and environmental benefits to differing extents through their operations.

Social Impact: it improved people's welfare such as through improved access to affordable healthcare, education, housing and clean water. Enterprise create jobs, which have the potential to produce social impact by improving employees' livelihoods.

Economic impact: Provides economic improvements to Ghanaians as a whole, such as significant job creation, increased tax revenues, decreased dependence on imports, agriculture and enhanced infrastructure. It also generate profit for the business owner and multiplier effect from increased consumption by employees.

Environmental impact: reduce or reverse harm to the environment. Enterprises in other sectors, such as renewable energy and energy efficiency, produce a positive environmental impact.

2.1. PREVIOUS STUDIES

The Trust Fund has committed about US\$17million, in five Venture Capital Funds as at 2017. Part of this fund has already been invested in 48 SMEs spread across several sectors including Agriculture, Agro-processing, ICT, Pharmaceutical Manufacturing, Education, Real Estate, Waste Management, Healthcare, Manufacturing, and Aquaculture. Among other achievements, these investments have helped create more than 2000 direct and several indirect jobs. Additionally, the VCTF has a Special Purpose Vehicle (SPV) financing scheme, which supports rural agriculture and provides critical financial resources and technical assistance to smallholder sorghum farmers in the Northern parts of the country.

According to a study by British Council (2016), social enterprises in Ghana have an average of just under 10 full-time equivalent staff – a total of 958 jobs created.

2.2. FINDINGS ON IMPACT OF SOCIAL INVESTMENTS RECEIVED BY GHANAIAN SOCIAL ENTERPRISES

The study on the degree of impact of social enterprises in Ghana reveals that 70% to 90% of social enterprise practitioners provide varying levels of social, economic, and environmental benefits to differing extents through their operations. It was established that social investments received has provided sustainable energy (90%), provided access to clean water (80%), improved water and sanitation management (70%).

In addition, such investments has improved cultivation of food (80%) in the country through provision of technical support, provision of farm inputs and improved climate change (80%).

Such investments in the social enterprise space have further led to preservation of biodiversity (90%), improved healthcare (70%), and access to education (70%) as well as financial inclusion (70%).

In terms of economic benefits, 80% of respondents indicated that income-generating activities are some of the benefits provided to society, their activities have created jobs for the society (70%), and they have supported agricultural value chain (80%), improved employees' livelihoods (70%) and supported research in critical but less attractive areas. Some of their activities were geared towards promotion of cyber security. Table 4 provides details on the benefits per

the field report, which was responded to by 36 social enterprise practitioners from across the country in different ecosystem.

Table 4: Benefit of impact investing in Ghana

Benefit	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
PROVIDE ACCESS TO CLEAN WATER	0%	20%	0%	30%	50%
IMPROVES WATER AND SANITATION MANAGEMENT	0%	0%	30%	20%	50%
INVEST IN CULTIVATION OF FOOD	0%	20%	0%	40%	40%
PROVIDES SUSTAINABLE ENERGY	0%	10%	0%	50%	40%
IMPROVE CLIMATE CHANGE	0%	0%	20%	50%	30%
PRESERVATION OF BIODIVERSITY	0%	10%	0%	50%	40%
IMPROVES HEALTHCARE	30%	0%	0%	10%	60%
IMPROVES ACCESS TO EDUCATION	20%	0%	10%	10%	60%
PROVIDE FINANCIAL INCLUSION	0%	10%	20%	20%	50%
PROMOTION OF INCOME GENERATING ACTIVITIES	0%	0%	20%	30%	50%
CREATES JOBS FOR THE SOCIETY	0%	0%	30%	40%	30%
PROMOTE CYBER SECURITY	0%	0%	0%	60%	40%
IMPROVE LIVING STANDARDS OF THE PEOPLE	10%	10%	0%	50%	30%
PROVIDE TECHNICAL MUCH NEEDED ASSISTANCE	0%	10%	20%	20%	50%
SUPPORT RESEARCH IN CRITICAL BUT LESS ATTRACTIVE AREAS	0%	20%	10%	60%	10%
IMPROVES THE INCOME OF PEOPLE IN DEPRIVED AREAS	20%	0%	20%	50%	10%
IMPROVES TAX COLLECTION BY LOCAL AUTHORITIES	0%	30%	20%	50%	0%
PRODUCE SOCIAL IMPACT BY IMPROVING EMPLOYEES' LIVELIHOODS	20%	10%	0%	30%	40%
SUPPORT AGRICULTURAL VALUE CHAIN	20%	0%	0%	30%	50%

Source: June, 2020, Consultants Field Report

SECTION THREE

THE NEED FOR ESTABLISHING SOCIAL IMPACT FUND

3.0. INTRODUCTION

Social impact fund is a much-needed financial tool to enable the growth of the social enterprise sector. Social enterprises have proven their ability to have impact through profitable business models. This has allowed a nascent market for social finance to emerge.

Given the potential of both social enterprises to the nation, a review of the challenges they face in obtaining finance for their operations and growth was conducted with members of Social Enterprise Ghana as respondents. Subsequently, Focus Group Discussion was conducted through telephones and virtual meetings. Impact investments are important engine for human development for people in developing countries especially for job creation and poverty reduction.

In order for the market for social finance to be completed, Impact Funding needs to be assessed. If this can be achieved and more financial and human capital can be attracted to social enterprises, the impact on human development could be huge. JP Morgan and Global Impact Investor Network's (GIIN) Fourth Annual Impact Investor Survey had responses from 125 impact investors with total committed capital of US\$ 10.6 billion in 2013. When asked to identify the contributors of risk to their portfolio, impact investors ranked liquidity as the second biggest risk factor.

There is an increasing challenge of social investors in Ghana and most developing countries in assessing funding from the commercial banks and traditional funding sources. There is therefore need to have stable funding for social enterprises.

3.1 REVIEW OF EXISTING SOURCES OF FINANCING BUSINESSES IN GHANA

Debt financing such as overdrafts and loans appears to be the first option of finance for both commercial businesses and impact investors as depicted below.

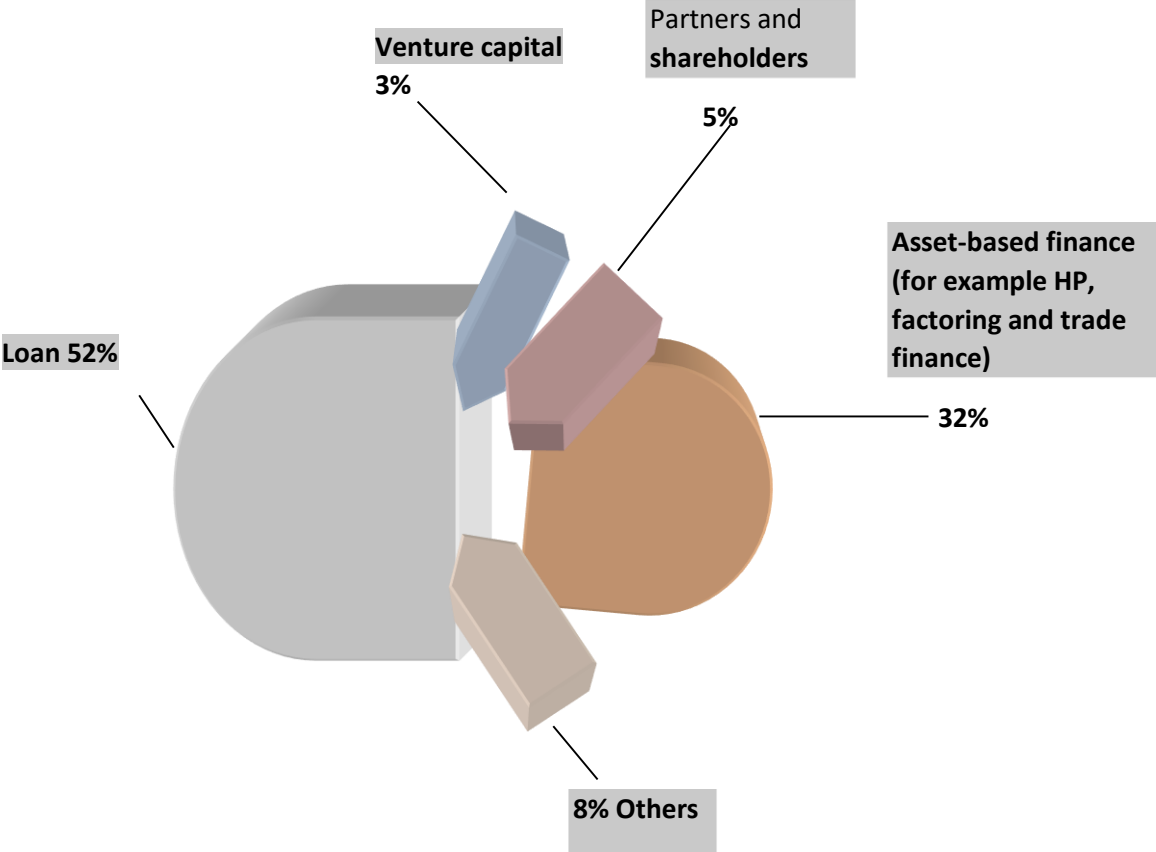


Figure 4: Sources of Financing Businesses in Ghana

Venture capital, though important source for financing represents a very small part of finance in Ghana and mostly the least considered by most entrepreneurs.

3.1.1. Traditional Financing Options

In terms of traditional financing options, businesses may choose between internal or external sources of finance. With regards to internal sources of finance, businesses may rely on personal savings of owners, support from friends and relatives, and retained earnings. On internal sources of finance, Osei et al.'s (1993) revealed that about 95 percent of the SMEs in Ghana rely on personal funds and financial support from family and friends.

In terms of external support from government towards financing, Quaye and Sarbah (2014) found that in Ghana, government provide financial assistance to innovative and high-growth potential firms in the form of soft loans, grants and subsidies. They revealed that over time, government agencies such as National Board for Small-Scale Industries (NBSSI), Business Assistance Fund, Ghana Investment Fund (GIF), GRATIS Foundation, Rural Enterprise Project (REP) and Microfinance and Small Loans Centre (MASLOC) have provided some sort of financial and skills development support for SMEs in Ghana.

In the West African sub-region, informal sources of finance contribute about 70% of finance for businesses while formal financial sector contributes less than 30% of the finance required.

3.1.2 Alternative Financing Options

OECD (2015) report on the new approaches to SME and entrepreneurship financing, categorized the alternative financial instruments for SMEs into four major groups based on their risk/return relationship as follows:

a. Asset-based Finance

This form of alternative finance is widely in developed countries to meet their short-term cash flow needs and in recent times has gained considerable attention in some emerging economies as an effective financial instrument for meeting the working capital needs of SMEs (OECD, 2018). Asset-based finance may be

defined as a financial arrangement whereby a business uses its non-current assets other than cash as collateral to obtain short-term credit without much emphasis on its credit history. Examples of asset-based financing instruments include asset-based lending, factoring, hire purchase, invoice discounting, and leasing.

b. Factoring

Factoring has become a more widely used and accepted alternative to liquidity-strapped companies in many countries, with volumes expanding significantly over the last decade, especially in emerging economies (OECD, 2018). Factoring is a financial arrangement whereby a business entity sells its account receivables (invoices) to a third-party called a “factor” at a discount to meet its present cash needs (OECD, 2015).

This implies that a firm with creditworthy customers may be able to factor even if it lacks the collateral and credit history to qualify for a loan.

c. Invoice Discounting

Just like factoring, invoice discounting is a form of short term borrowing where a business pledges its account receivables (typically 80% of invoices less than 90 days old) to a third party as collateral for cash to enhance its present cash flow (Milenkovic-Kerkovic and Dencic-Mihajlov, 2012). After collecting its debts, the firm then pays back the finance company the amount borrowed plus interest charge which is normally a percentage of the account receivables.

d. Leasing

Leasing is a form of financial agreement whereby one party conveys to another party the right to use an asset for an agreed period of time in return for specified rental payment while retaining the legal ownership of the asset (Addo, 2011). In a typical lease arrangement, the lessor transfers the right to use a property to a lessee in exchange for rental payment for a specified period after which the lessee can do three things: buying the property outright, return the property to the original owner, or extend the leasing period.

e. Alternative Debt Instruments

Alternative debt instruments comprise an external financing option which grants businesses access to credit from the capital market through the issuance of various forms of bonds. Examples of alternative debt financing instruments include corporate bonds, covered bonds, securitized debt, and private placement. The difference between alternative debt and bank credit or other traditional forms of debt is that, alternative debt instruments are issued in the capital market while bank credit is issued by banks and other financial institutions. In a report of OECD (2018) on alternative financing options for SMEs, it was revealed that despite the various forms of alternative debt instruments available, it appears that businesses do not utilize these financing options and tend to rely on traditional sources of finance due to technical know required among others..

f. Equity Instruments

Over time equity finance has become a major source of finance for medium-sized and large firms who are listed on the stock market and have the license to obtain finance from the capital markets in the form of equity.

However, finance through equity require much harder effort as investors need to be convince of the market potential and of the business and good returns expectations.

g. Hybrid Instruments

Another group of alternative financing instruments is a hybrid financial instrument which combines debt and equity in a single financing vehicle. In recent times, hybrid instruments are gaining considerable attention in developed countries and other emerging economies as revealed by OECD (2015). Examples of hybrid financial instruments include subordinated loans, silent participations, participating loans, convertible bond and mezzanine finance.

Despite all these sources, access to finance by impact investors is a huge challenge in Ghana and there is need to explore whether there is need for a dedicated Fund for social enterprises in Ghana.

3.2. NEED FOR IMPACT FUND

There is growing interest in how impact investing can achieve both domestic and international development policy goals, as well as some recognition that governments can help to build the market and scale the investment approach within the mainstream financial industry. Social investment as investment made for a social purpose in organizations committed to delivering benefits of society and the environment. This investment whether from grants, loans, equity investments or other emerging forms can enable third sector organizations, including social enterprises, to develop their operations and become more sustainable (Nicholls, 2010).

Over the past decade, the focus has shifted towards investment for active, intentional impact and specifically, how businesses can intentionally create more social and environmental value and how capital can be deployed to achieve measurable positive outcomes alongside financial return, both domestically and for international development.

Governments are becoming increasingly involved in the acceleration of the impact-investing market, recognizing the opportunity for private and institutional capital to play a significant role in addressing some of society's most pertinent social and environmental challenges. In championing impact investing with

impact fund. For example Australia, the state government of New South Wales pioneered Australia's first two "social benefit bonds" in 2013 to achieve better childcare and a reduction in domestic violence in the region. The government has announced a series of high-profile commitments in the Treasury's 2017-2018 budget, including an A\$10.2 million investment to trial the use of impact investing aimed at improving the welfare outcomes of young people at risk of homelessness. The progression of government interest in Australia highlights the importance of approaches like Social Impact Bond, which have a clear, well-developed narrative on cost-effective public services and better delivery outcomes.

In the world of financing, venture capital is new and is seen as an alternative source of funding for small and medium scale enterprises (Manigart et al., 2002). Venture capitalist are known to provide huge capital for new businesses. They do not require the company to have a history of having achieved huge successes in business before they give out their facilities. For instance, the Impact Hub in Milan decided to focus on start-up organizations in their pilot project following their assessment of market demand and social investment supply in the Italian region of Lombardy. They had identified the gap in the start-up segment, where capital was missing for enterprises to make the transition to a consolidation phase, typically of amounts between €100K and €200K. In addition to capital in this range, the impact investment fund that the Impact Hub established provided

'soft' support to investees, consisting of mentoring, coaching and networking opportunities.

Venture capitalists have an aim of helping small and medium scale enterprises to progress. They do this by giving out both monetary and professional help to the organizations (Reynolds, 2000). The venture capitalist therefore has an aim of overcoming all the challenges one is likely to encounter when dealing with the traditional lenders. Once an individual comes up with an innovative idea, they help them to bring them into practice. By so doing, they help to bring the company on the right path and encourage them to succeed

There is lack of exit opportunities for the secondary investor, social objectives that may constrain growth in profits or other perceived investment risks. There is no specific existing local social impact fund who are funding startups and matures in the ecosystem. Most of the funding in Ghana are mostly foreign players.

Financial institutions are reluctant to give Ghanaian SMEs loans due to the unattractiveness. The SMEs are considered by the banks to be poorly established, structured and managed. This leads to increase in the interest rates on the loans they give they received from the financial institutions.

This poor access to capital for Ghanaian SMEs leads to an urgent need to explore new and innovative ways to finance businesses in the country. The Social Impact Fund will be an important innovation to fill this gap in the impact investment market.

3.2.1. Need for Impact Fund in Ghana

Focus Group Discussions and field survey with members of the social enterprise ecosystem revealed the following:

- There is no specific existing local social impact fund for startups and social investment businesses in Ghana
- Few existing funding opportunities are initiated and managed by foreign partners which is funding in Ghana are mostly foreign players.
- Financial institutions are reluctant to give Ghanaian social enterprises loans due to the unattractiveness or lack of understanding of their business model.
- SMEs which most social enterprises fall are considered by the banks to be poorly established, structured and managed. There is high interest rates on the loans received from the financial institutions by SEs.

This poor access to capital for Ghanaian SEs leads to an urgent need to explore new and innovative ways to finance social enterprises.

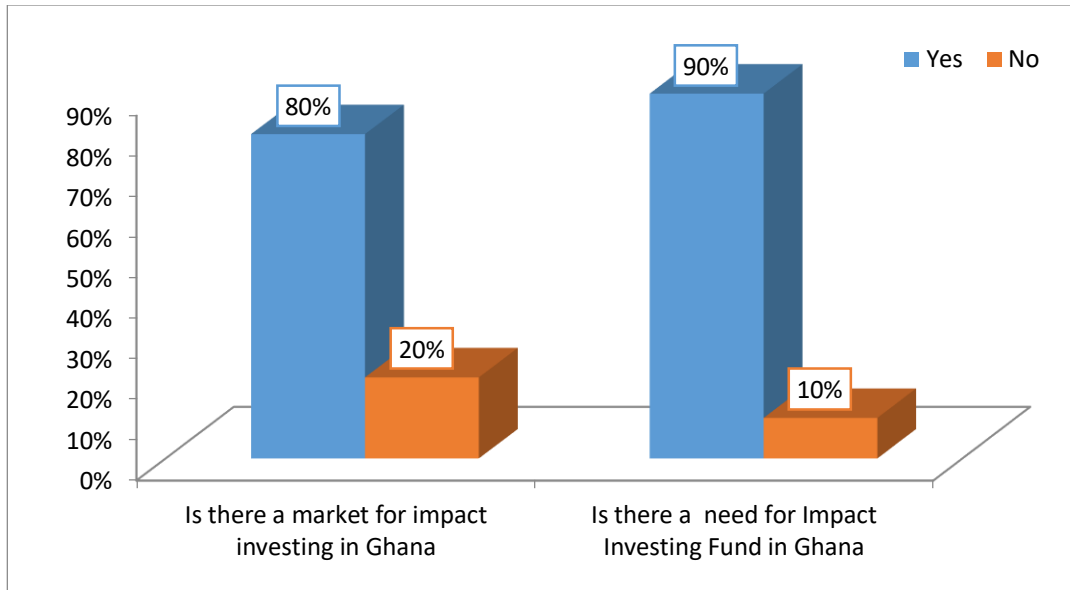
A Social Impact Fund will be an important innovation to fill this gap in the impact investment market.

From the field data collected from 36 social impact practitioners throughout the country, 80% of the respondents indicated that there is market for impact investing in Ghana.

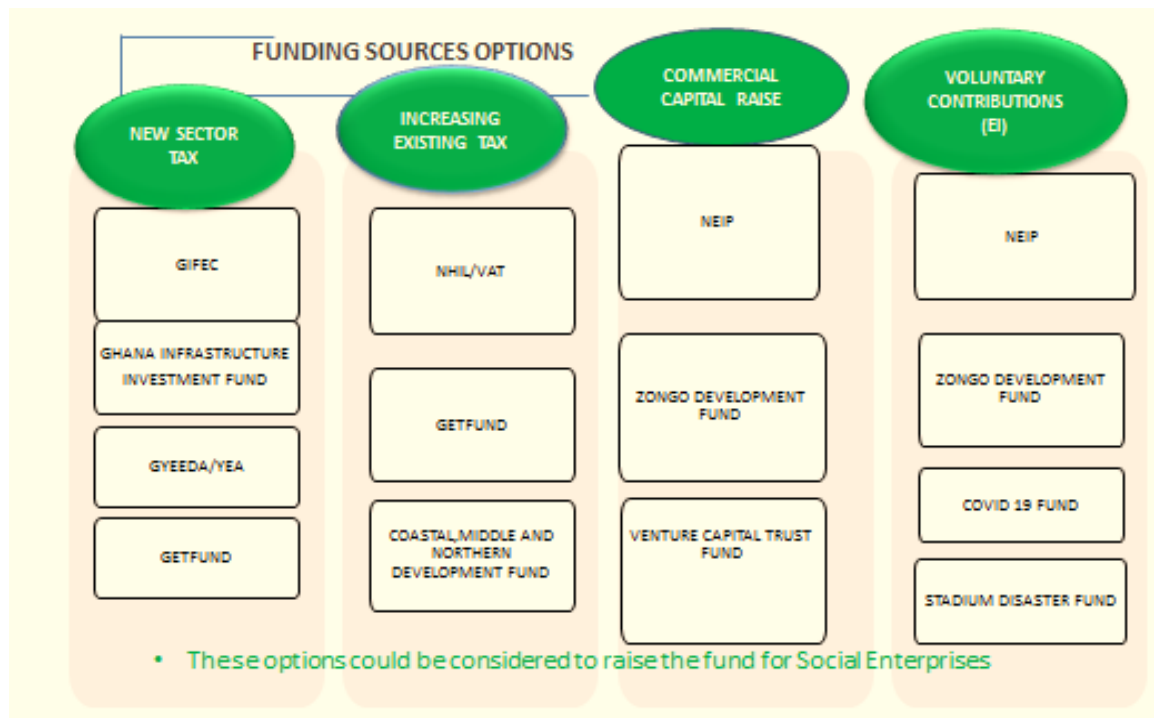
In addition, 90% of the respondents stated that there is need for establishment of impact investing fund in Ghana. The following were the reasons provided for impact fund to be set up in Ghana:

- *There is a growing criticisms of traditional forms of philanthropy, thus business are looking at ways to make environmental or social impact while making business sustainable.*
- *Social Enterprises in Ghana can scale up and improve on productivity.*
- *Help aid the struggling of The Hub's, Government and Non-Governmental agencies, foundations, social enterprises in Ghana to achieve the goals.*
- *To be able support female- led enterprises and other organizations, to ensure that more women are aware of and can access the resources necessary to establish and manage their businesses.*
- *Traditional financial industries do not support business at idea or start-up stage as well as most SEs.*

Figure 5: Justification for Establishing Impacting Investing Fund



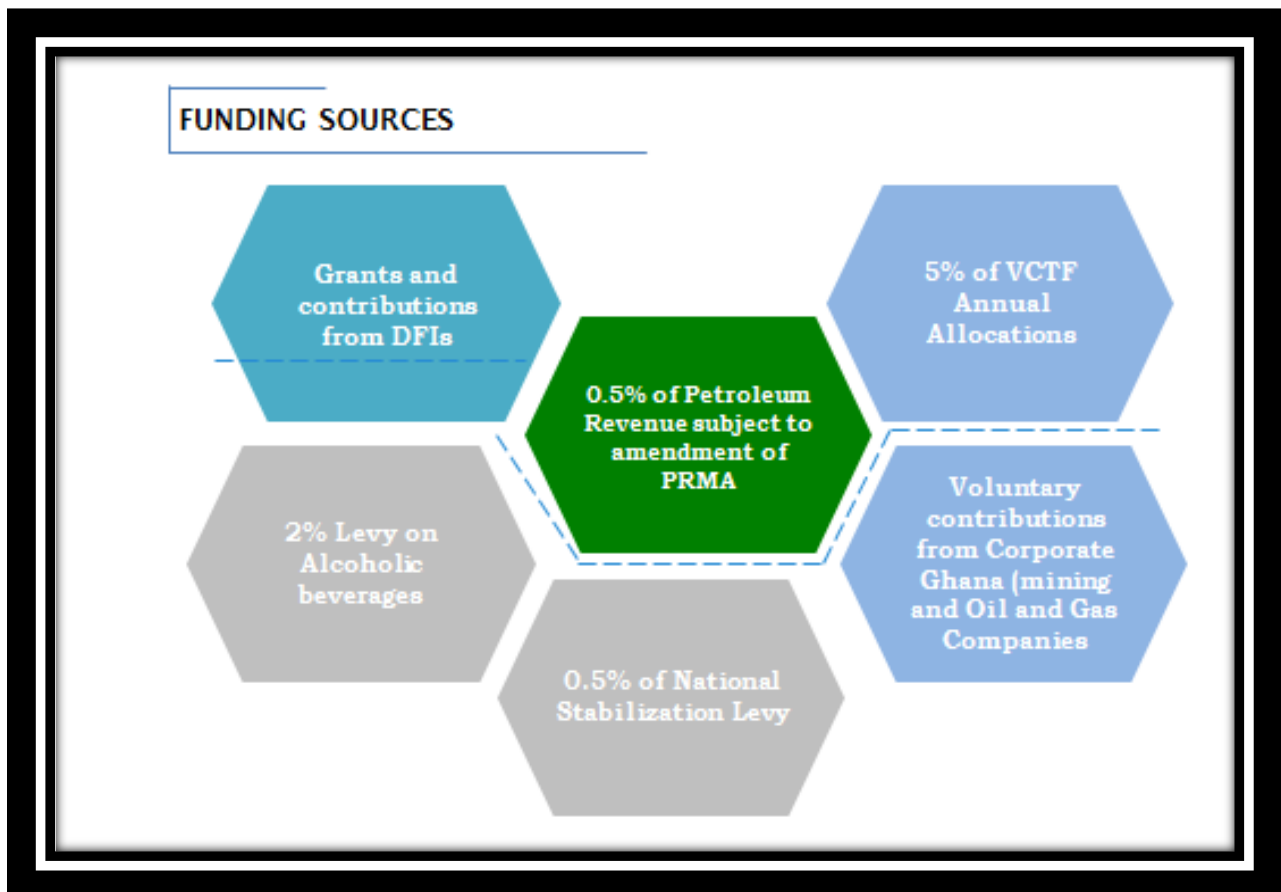
Proposed Sources of funding Impact Investing Fund in Ghana



Sources of funding Impact investing Fund in Ghana by enactment by Parliament of Ghana for a Fund for Social Investing;

- ✚ Increasing existing tax to generate revenue for a new Fund.
- ✚ Introduction of Sector-specific tax/contribution Fund.
- ✚ Fund set up by grants, voluntary contribution, and parliamentary approval
- ✚ Commercial capital raising or contributions from DFIs.

Based on these review, it is recommended that the proposed Social Impact Fund should be funded through:



The recommendation for the sources of funding the proposed Social Investing Fund is premised on the fact that there are a lot of Funds that have been set up using some or combination of the options as indicated in Box 1.

Box 1: FUNDS IN GHANA AND HOW THEY HAVE BEEN FUNDED

1.0. National Health Insurance Fund

The Fund was established in 2012 to pay for the cost of healthcare services for members of the National Health Insurance Scheme. Moneys from the Fund shall be expended as follow:

- To pay for the healthcare costs of members of the National Health Insurance Scheme
- To pay for approved administrative expenses in relation to the running of the National Health Insurance Scheme
- To facilitate provision of or access to healthcare service
- To invest in any other facilitating programme to promote access to health service as determined by the Minister in consultation with the Board

The sources of money for the Fund are follows:

- The National Health Insurance Levy
- Two and one half percentage points of each person's contribution to the National Social Security Scheme
- Moneys that are approved for the Fund by Parliament
- Moneys that accrue to the Fund from investments made by the Authority
- Grants, donations, gifts and any other voluntary contributions made to the Fund;
- Fees charged by the Authority in the performance of its functions;
- Contributions made by members of the Scheme; and
- Moneys accruing under section 198 of the Insurance Act, 2006 (Act 724).

2.0. Zongo Development Fund ACT 2017(ACT 964)

The Fund was established to support the provision of critical infrastructure in education and training, health and sanitation, local businesses and centres of culture, as well as improve security in the Zongo communities.

The sources of money for the Fund are follows:

- Moneys approved by parliament
- Grants, loans and other voluntary contributions
- Internally generated funds
- Other moneys that may become lawfully payable to the Fund
- Leveraging its seed fund to attract additional funding from international partners, private sector institutions, civil society organizations, and other non-governmental organizations.

3.0. Ghana Investment Fund for Electronic Communications (GIFEC)

The main objectives of the Ghana Investment Fund for Electronic Communications (GIFEC), as approved by the Communications Act 775, are to:

- Facilitate the provision of universal access to electronic communication by the unserved and underserved communities
- Facilitate the provision of internet point of presence in underserved and unserved communities
- Facilitate capacity building programmes and promote ICT inclusion in the unserved and underserved communities
- Facilitate the deployment of ICT and equipment to educational, vocational and other training institutions
- Develop an effective human resource for the Agency

The financial sources of the Fund is provided by:

- Licensed Mobile Network Operators
- Internet Service Providers (ISPs)
- Moneys approved by Parliament
- Interests accrued from investments

4.0. Ghana Education Trust Fund ACT 2000 (ACT 581)

The Fund was established to by Government of Ghana to:

- Provide finance to supplement the provision of education at all levels
- Provide financial support to the agencies and institutions under the Ministry of Education, through the Ministry for development and maintenance of essential academic facilities and infrastructure in public educational institutions particularly in tertiary institutions
- Provide supplementary funding to the scholarships to gifted but needy students for studies in second cycle and accredited tertiary institutions in Ghana
- Contribute monies from the Fund towards the operation of student loans schemes for students in accredited tertiary institutions through loan scheme and agencies approved by the Minister

- Provide through the National Council on tertiary Education, grants to tertiary institutions to train brilliant students as members of facilities and to undertake research and other academic programmes of relevance to national development
- Provide monies to support such other educational activities and programmes for the promotion of educations as the Minister in consultation with the Board may determine.

The sources of money for the Fund are follows:

- An amount of money, equivalent to two and one half percent out of prevailing rate of the Value Added Tax to be paid by the Value Added Tax Service to the Fund or percentage not being less than two and one half percent of the Value Added Tax rate as parliament may determine.
- Other money as may be allocated by parliament for the Fund
- Money that accrues to the fund from investment made by the Board of Trustee of the Fund
- Other monies or property that may in any manner become lawfully payable and vested in the Board of Trustees for the Fund.

5.0. The National Entrepreneurship and Innovation Programme (NEIP) Fund

NEIP Fund primarily focuses on providing business development services; startup incubators and funding for young businesses to enable them grow and become successful.

The sources of money for the Fund are follows:

- Through Government support
- Grants from International agencies and the Private sector

6.0. The COVID-19 National Trust Fund

The COVID-19 National Trust Fund was established by Government of Ghana in 2020 to raise funds for coronavirus alleviation programme-support to households, relief for health workers, soft loans for micro, small and medium size businesses. The sources of money for the Fund are follows:

- Donations, grants and gift
- Voluntary contrition from individuals and institutions
- Government support

7.0. Youth Employment Agency Act, 2015

The Agency established to develop, coordinate, supervise and facilitate the creation of jobs for the youth in the country. Source of funds for the agency are as follows:

- Moneys approved by Parliament
- Eight percent of communication service tax;

- Ten percent of the District Assemblies Common Funds subject to the formula approved by Parliament in accordance with article 252 of the Constitution
- Five percent of the Ghana Education Trust Fund subject to the formula approved by parliament in accordance with the Ghana Education Trust Fund Act, 2000 (Act 581)
- Donations, gift and grants.

However, since this is social impact fund the following can be adopted as potential sources of funding to such a Fund so established in Ghana.

- Government passing a law to enable the use of capital from dormant bank accounts for impact investing purposes.
- A policy which provide attractive tax incentives for corporations who make voluntary donations to the Fund and supporting social enterprises.
- NGOs do not pay tax; they can use 10% of their annual revenue to contribute to the Fund.
- Government can also launch development impact bond.
- Donations, grants and gift

3.3. BARRIERS TO ASSESSING FUNDING BY SOCIAL ENTERPRISES

Although social investment market have evolved at varying speeds, there are some common barriers and challenges that investors face in assessing existing funds regardless of geography and sector.

Despite the fact that social impact enterprises contribute immensely to the economic development of the nation, the study identified that most of them are confronted with financing challenges essentially due to their characteristics of being small, inexperienced, managed by individuals and sometimes not having the requisite educational background and inadequate collateral.

Most of the banks fail to grant finance because the SEs are new in business and have no success story. Banks, thus, need information on business track record before they give out loans to such businesses. Other factors include low level of branches, network, low lending conditions, no information on SMEs, little information on credit worthiness of SMEs and the need for investors to invest in treasury bills.

Legal form, economic activity, labor, capital and sales turnover are the factors that limit banking services, moreover small business are more constrained. Equally, profile of SEs in Ghana influence access to finance, as ownership structure, size and type of business strongly affect access to financial products and services.

The key barriers are collateral requirement, information asymmetry, credit worthiness history, institutional development, government policies, lack of formal education, weak property right protection, and less developed financial markets (Khan, 2018). Likewise, improper bookkeeping and information asymmetry were the most common challenges that is faced by the financial institutions as well as turnover, balance sheet balance and entrepreneurial credibility were the frequent appearances among the several reasons why the credit applications were turned down.

These barriers were supported as OECD (2006) stated that the difficulty that SMEs face when accessing finance could be the unfinished financial services and products, gaps in the legal framework or regulatory rigidities.

This study is also supported by Quartey et al. (2017) that SME sector in most countries within the ECOWAS sub-region faces serious constraints in accessing formal finance and this problem is connected to factors such as SMEs' lack of collateral, difficulties in providing creditworthiness, small cash flows, inadequate credit history, high risk premiums, underdeveloped bank-borrower relationships and high transaction costs.

A

Box 2.Challenges in Accessing Impact Funds

- High cost of lending (CII2:80%),
- Difficulty raising capital from local sources (CII6:70%),
- Capacity gaps (CII3:60%),
- Lack of exit options for equity investments (CII5:60%),
- Lack of data on financial and non-financial performance (CII7:80%) and;
- Lack of self-identification as an industry (CII1:50%)

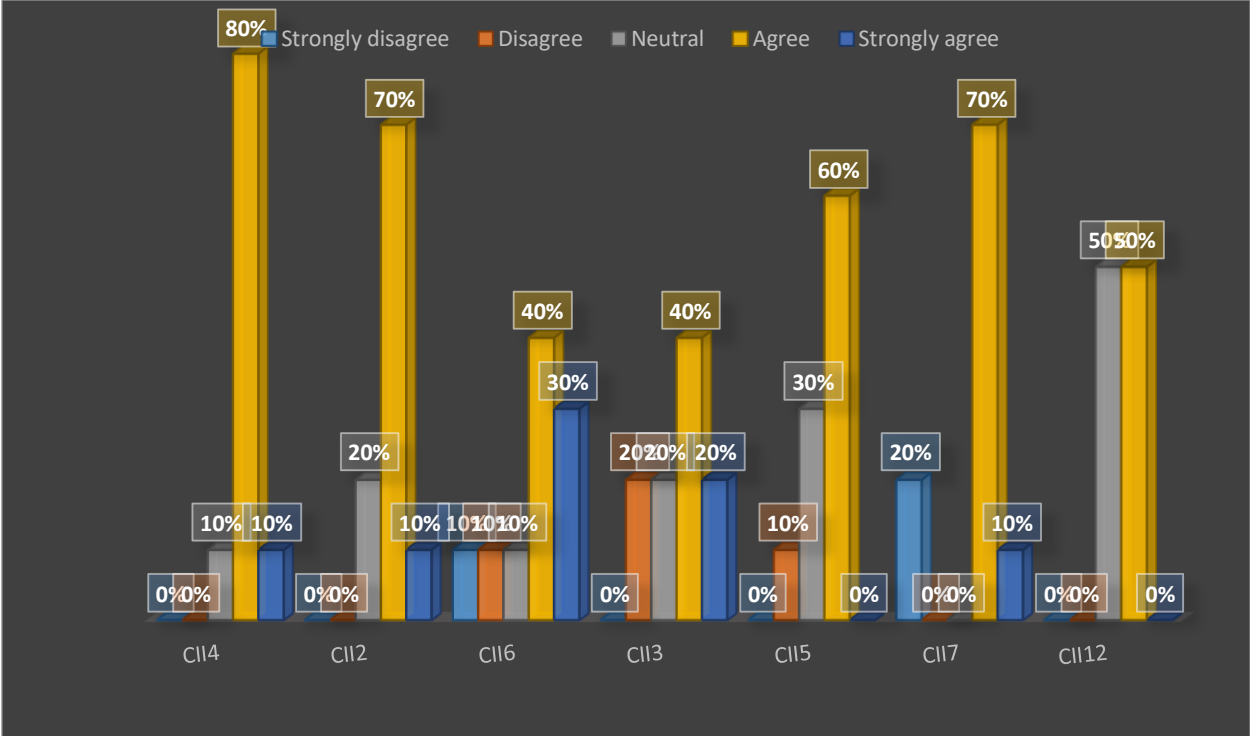
study by British Council (2016) in Ghana also revealed two constraints that dominate responses in terms of what

constrains access to finance and funding for Ghanaian social enterprises: access to investors being low due to limited networks of personal/organizational contacts and limited supply of capital. It was also revealed that lack of access to investors is particularly high for more remote regions, such as Upper East and Western; along with Central region, Greater Accra and Ashanti regions report the most problems with limited supply of capital.

In all, 90% of the respondents agreed that high collateral requirements by financial institutions are a major barrier in accessing fund in Ghana. The rest of the

barriers indicated by the practitioners in the social enterprise ecosystem are indicated per figure 6 and Box 2.

Figure 6: Barriers to Accessing Funding by Social Entrepreneurs in Ghana



3.4. MEASURES TO OVERCOME BARRIERS FOR ACCESSING THE PROPOSED SOCIAL IMPACT FUND IN GHANA

The following factors with their degree of percentages were indicated as measures to overcome barriers for accessing the proposed Impact Investing Fund in Ghana:

- Common regulatory framework for impact investors (60%)
- Mitigating high risk of investing in social enterprise ecosystem by government (80%)
- Reduction of high transactional cost (80%)
- Adopting consistent and comprehensive measurement system (60%)

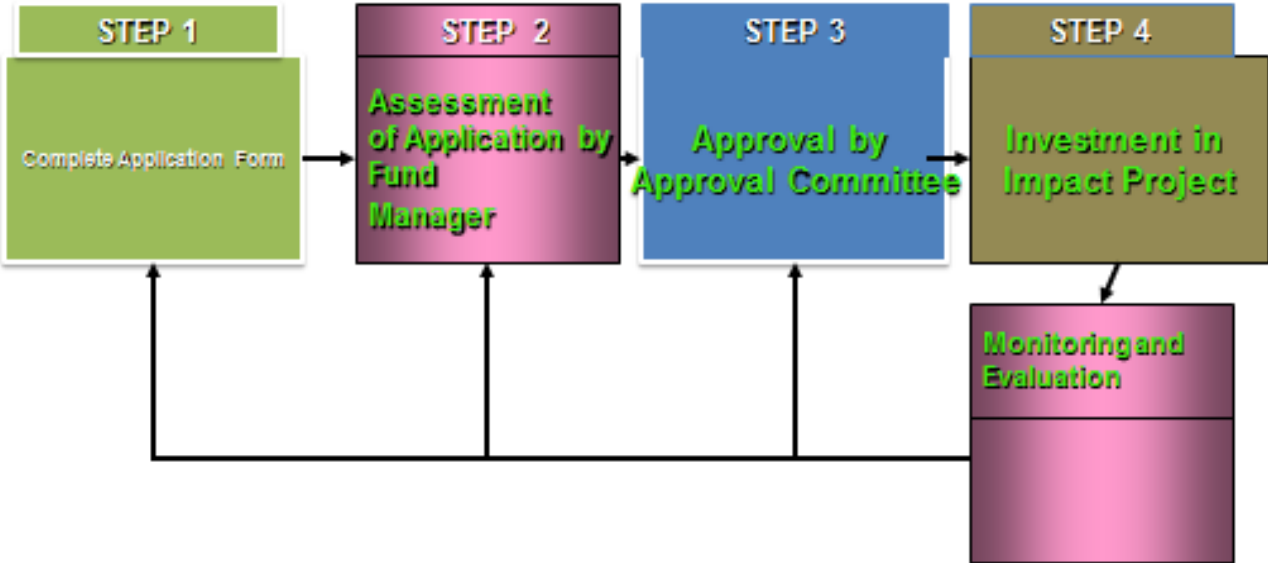
- Linking with the global impact investors network and awareness creation (70%)
- Adequate sensitization by policy makers on the impact investing funding (60%)
- Investors adapting their investment practices to the local climate (40%)
- Collaborate with business schools to add impact investing to Business Administration curricula (80%)
- Creation of a broader range of financial instruments (40%)
- Appointment of an Independent Fund Manager to manage the social enterprise Fund (100%)

Table 5: Measures to Overcome Barriers to Funding by Social Impact Investors in Ghana

	Not at all	To a lesser degree	To a fair degree	To high degree	Totally
Common regulatory framework for impact investors	20%	0%	20%	50%	10%
Reduction of high risk of investing and transaction cost	0%	0%	20%	40%	40%
Adopting consistent and comprehensive measurement systems	20%	0%	20%	10%	50 %
Adequate sensitization by policy makers on the impact investing fund	20%	0%	20%	30%	30%
Linking with the global impact investors network and awareness creation	0%	30%	0%	30%	40%
Collaborate with business schools to add impact investing to Business Administration curricula.	0%	0%	20%	40%	40%
Investors adapting their investment practices to the local climate	20%	10%	30%	10%	30%
Creation of a broader range of financial instruments	0%	30%	30%	30%	10%
Establishment of Independent Fund Manager for social enterprise Fund	0%	0%	0%	40%	60%

3.4. PROCESS FOR APPLYING FOR THE PROPOSED SEs FUND

PROPOSED IMPACT FUND APPLICATION PROCESS



SECTION FOUR

IMPACT OF COVID 19 ON GHANAIAAN SOCIAL ENTERPRISES

4.0. INTRODUCTION

The Study assessed the impact of COVID 19 on social impact investing in Ghana. The study targeted social investing companies throughout Ghana. Thirty six (36) decision makers and practitioners in the social investing ecosystem responded in addition to Focus Group Discussion with 5 institutions associated with impact investing

The study revealed that on COVID 19 has influenced their businesses. In all, 36 respondents being practitioners and decision makers in the social enterprise ecosystem agreed that it has affected their business operations. Twenty percent (20%) were of the view that it has affected their businesses positively. They explained that the positive impact are in the following areas:

- *Realization of new ideas in delivering products to our customers.*
- *Observance Personal hygiene.*
- *Exploring the use of online services for trainings, businesses and meetings*
- *Creating awareness to alternate healthcare solutions,*

Although the COVID 19 has brought some positive impact, 80% of the respondents revealed that it has affected their business negatively. These negative effects included:

- *Customers not buying goods and services, demand for goods and services low.*
- *Cutting down income and funding,*
- *Setbacks in achieving set goals due to lock down and funds.*
- *Less organization of programs and less patronage of organized programs,*
- *Limited access to raw material based on transportation restrictions.*
- *Inability to get finished products to the market due to unavailability and high cost of transportation.*
- *Inability to sell products because our customers are unable buy.*

90% of the respondents indicated that the COVID 19 has affected the finances of their business. These included:

- *Not able to get adequate financial support from donors and other organizations.*
- *Low revenue due to less patronage of programs*
- *High rate for funding to improve business*
- *Lack of sources funding*

90% of the respondents stated that COVID 19 has affected their staff. These effects are as followings:

- *Some of the workers or staff have been laid-off.*
- *Some workers or staff are performing multitasking*
- *Delay in payment of salaries*

- *Staff working on shift system*
- *Reduction of staff salaries*

80% of the respondents indicated that the COVID 19 has affected their customers.

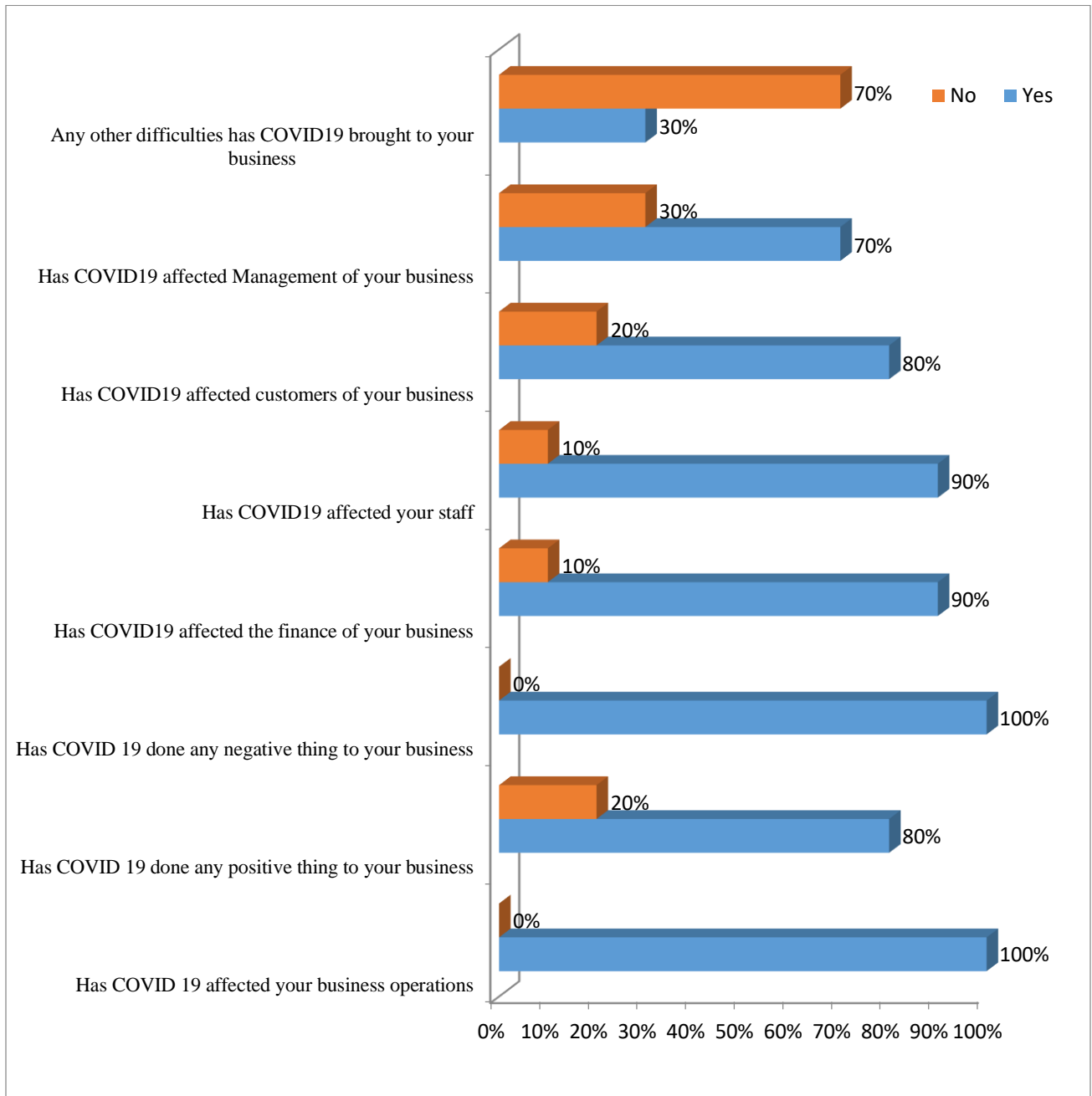
The effects included:

- *Restricted some aspects of their work in terms of reaching out to children and some communities they work in*
- *Buying of goods and services on high rate,*
- *Not able to get quantities and quality of Good and services*
- *Delay in payment for service*

70% of the respondents are of the view that the COVID 19 has affected management of their organization. These are as follows:

- *Some staff and volunteers have been laid off due to inadequate funds to pay*
- *It has slow the ability in running the business*
- *Delay in releasing funds for certain purpose*

Figure 7: Impact of COVID 19 on Ghanaian Social Enterprise



SECTION FIVE

5.0 CONCLUSION AND RECOMMENDATIONS

This section summarizes the salient issues based on the Study and make recommendations on it.

Impact investors operate as for-profit funds, non-profit organizations, government sponsored funds, pension funds, technology funds, financial managers of individuals. They are mostly active in education, agriculture, water and sanitation, technology and health sectors in Ghana with sector concentration in certain geographical areas. Seventy (70%) to ninety (90%) of social enterprise practitioners provide varying levels of social, economic and environmental benefits to differing extents through their operations. To Ghanaians in the areas of sustainable energy (90) %, access to clean water (80%), improved water and sanitation management (70%), among others.

Debt financing such as overdrafts and loans is the first option of finance for both commercial businesses and impact investors in Ghana.

There is no specific existing local social impact fund for startups and social investment businesses in Ghana. Financial institutions are reluctant to give Ghanaian social enterprises loans due to the unattractiveness or lack of understanding of their business model.

The inadequate access to capital for Ghanaian SEs require to an urgent need to explore new and innovative ways to finance social enterprises.

Ninety (90%) of the respondents supported the for establishment of impact investing fund in Ghana. The funding for the fund so established could be funded through;

- ✚ Increasing existing tax to generate revenue for a new Fund;
- ✚ Introduction of Sector-specific tax/contribution Fund;
- ✚ Fund set up by grants, voluntary contribution, and parliamentary approval
- ✚ Commercial capital raising or contributions from DFIs.

Collateral requirements by financial institutions was identified by 90% of the practitioners as a major barrier in accessing fund in Ghana.

Measures to overcome barriers for accessing the proposed Impact Investing Fund in Ghana could include:

- Common regulatory framework for impact investors (60%)
- Mitigating high risk of investing in social enterprise ecosystem by government (80%)
- Reduction of high transactional cost (80%)
- Adopting consistent and comprehensive measurement system (60%)
- Linking with the global impact investors network and awareness creation (70%)
- Adequate sensitization by policy makers on the impact investing funding (60%)
- Investors adapting their investment practices to the local climate (40%)
- Collaborate with business schools to add impact investing to Business Administration curricula (80%)
- Creation of a broader range of financial instruments (40%)
- Appointment of an Independent Fund Manager to manage the social enterprise Fund (100%)

COVID 19 has both positive and negative impact on social entrepreneurs although the negative impacts far outweigh the positive impacts.

The positive impact identified were;

- *Realization of new ideas in delivering products to our customers*
- *Observance Personal hygiene*
- *Exploring the use of online services for trainings, businesses and meetings*

However, 80% of the respondents revealed that COVID 19 has affected their business negatively in the following ways;

- *Demand for goods and services low*
- *Cutting down income and funding,*
- *Setbacks in achieving set goals due to lock down and funds*
- *Less organization of programs and less patronage of organized programs*
- *Limited access to raw material based on transportation restrictions.*
- *Inability to get finished products to the market due to unavailability and high cost of transportation.*
- *Inability to sell products because our customers are unable buy*
- 90% of the respondents indicated that the COVID 19 has affected the finances of their business.

RECOMMENDATIONS

Based on the review of relevant literature, best practices, field survey and the focus group discussions with social enterprise practitioners, the following are recommended for consideration.

1. Impact Investing Policy to guide investors, practitioners and those in the social investing ecosystem.

2. Legal and Regulatory Framework for Social Entrepreneurs to operate .The actors should lobby Ministry of Finance, GIPC and the Venture Capital Trust Fund to facilitate a bill to Parliament aimed at codifying the relevant laws and reflect current trends in SEs ecosystem.

3. Focus Areas for SEs: The Ministry of Finance ,VCTF ,etc. should define SEs focus areas in the country so that available resources could be focused on that .For instance if municipal solid(MSW) or liquid waste for waste management, e-learning or early childhood under education, or low income housing, etc. Such defined focus areas will help channel the limited resources for high impact in SE ecosystem in Ghana

4. Establishment of Social Investing Fund: The government and the relevant development partners should as a matter of urgency **should** set up Social impact fund aimed at making funding accessible, open and at lower cost to social impact investors. The various sources from funding should come from DFIs, taxes from sectors such as oil and gas, mining and aviation. NGOs could be encouraged to contribute toward such Fund.

5. Need for Training of Social Entrepreneurs: The actors in the social enterprise ecosystem should liaise with training institutions especially higher education institutions to develop and deliver short courses and academic programmes on social entrepreneurship as well as impact investing. This will help provide the much-needed human resource with specialized knowledge and skill in this sector,

which is fast developing in the world, and help reduce the hand out approach most NGOs use.

6. Sensitization and Public Education on SEs Model :There is need to educate and sensitize the general public, development practitioners, financial institutions and state institutions in social protection, social welfare to understand and appreciate impact investing as alternative approach to development and poverty reduction, a new business model and alternative to improving livelihood of people. Most social and environmental challenges facing communities could be better solved using this model.

7. Support for those affected Negatively by COVID 19: It is recommended that members and practitioners affected negatively by COVID 19 should be identified and supported financially as well as provide other non- financial support services to reduce the negative impact on their businesses. It is further recommended that the positive impact of COVID 19 identified should be enhanced and let other members take advantage of that to enhance their businesses.

APPENDICES

Appendix 1: RESEARCH FRAMEWORK

Objectives	Content
<ul style="list-style-type: none"> • Desktop research on the Ghanaian impact investing landscape ; • Assess the degree of impact of impact investment received by Ghanaian social enterprises; • Justify the need for establishing Social Impact Fund based on research; • Potential Sources of contribution to such a Fund so established ; • Identify possible barriers for accessing the Social Enterprise Fund so established and patient capital in Ghana; • Measures to overcome barriers identified for accessing social impact fund and patient capital in Ghana 	<ul style="list-style-type: none"> • Definition of Impact Investing, Types of impact investing, Impact investing environment in Ghana(Sectors, Actors, Policies, laws) • Economic, social, political, job creation, infrastructure provision, poverty reduction, values, etc. • Investments received by impact investors (forms, sources, uses, etc.) • Literature on need for impact fund around the world • Analysis of need for impact fund based on field data • Literature on Sources of funding a Fund or Fund of Funds • Cases of funding a Fund in Ghana(NHIL,COVID 19,Stadium Disaster, Youth Employment, GIFEX,GETFUND,) • New Sector Tax, Voluntary Contribution, Existing Taxes, DFIs, Development Partners, PE/VC firms, Commercial Capital Raising • Barriers to assessing existing Funds in Ghana • Barriers to assessing SEF(Political interference, beaureacratc process, Inadequate sensitization, Bribery (“whom you know syndrome”),inadequate funding for the Fund , • Composition of the Trustees, Sensitization, Independent Fund Manager, Legal framework and procedure

Appendix 2: Impact Investing Fund and Their Sector Focus in Ghana

Fund	Type	Region	Sector Focus
Acumen	Private	Accra	Invests in businesses across the globe to eradicate poverty. Builds the capacities of the leaders of the companies they invest in to run their companies efficiently
AgDevCo	Private	Accra	Invests in scalable agribusiness to increase food security as well improving livelihoods. The ultimate goal of AgDevCo is to eradicate poverty
Injaro Investments	Private	Northern	Invests in social impact activities in agriculture across sub-Saharan Africa. It has invested in Sekaf Ghana, which processes shea nut

			into shea butter skincare products
JCS Investments	Private	Accra	Invests in impact-driven businesses in the financial services sector as well as SMEs, particularly in rural Ghana
Lundin Foundation	Private	Accra	Invests in small and medium sized businesses with the potential to create employment opportunities and in the process reduce poverty in a sustainable fashion.
Oasis Capital	Private	Accra	Invests in impactful projects in Africa through the financing of SMEs
Slice Biz	Private	Accra	A crowd-funded micro investment platform providing finance for entrepreneurs to

			scale-up their businesses
Root Capital	Private	Accra	Root Capital is an agribusiness-focused impact investor supporting small-scale farmers to create sustainable livelihoods in rural areas
Ghana Loan Portfolio Guarantee Fund			– To tackle lack of agricultural investment by banks.
Export Development and Investment Fund (EDIF)			Loans, grants and equity. In agriculture sector
Micro and Small Loans Centre (MASLOC). □	Government	All regional capital	Financing small & micro local industry
The Venture Capital Trust Fund (VCTF).	Government	All region	Business Equity financing

Out grower and Value Chain Fund (OVCF).	Government	All region	Agriculture
Export Development and Agricultural Investment Fund (EDAIF).	Government	All region	Agro-processing/ Export/manufacturing
Social Development Fund (SDF)	Government		SME support
Social Investment Fund (SIF)	Government		Micro-Finance Capitalisation
Ghana Education Trust Fund (GET-Fund)	Government		Education
Ghana Investment Fund for Electronic Communications (GIFEC)	Government		Support for Rural ICT Infrastructure
Ghana Infrastructure Investment Fund (GIIF)	Government		Infrastructure Development
Local Enterprise and Skills Development Program (LESDEP)	Government		Skills Development
Ghana Private Sector Development Facility (MPSD/ GPSDF)	Government		Private Sector Development

Presidential Special Initiatives) (PSI)			Specific Presidential Interventions
PAMSCAD			Financial assistance
Zongo Development Fund	Government		Inner city development for equitable prosperity

Appendix 3: Private Equity and Venture Capital Funds Making Impact Investments in Ghana.

Fund	Source	Type	Sector Focus
West Africa Agricultural Investment Fund	Foundation	Venture Capital Funds	Agriculture seed production companies
Ebankese Venture Fund	Venture Capital Trust Fund, Institutional Investors, Individual	Venture Capital Funds	Education, Health, Sanitation, Food Services and Affordable Housing
Root Capital	DFIs, Foundations, Private investors, Corporations and Religious groups	Non-Profit Investment Funds	Rural Agriculture
Acumen Fund	philanthropic capital	Non-Profit Investment Funds	Multiple sector
Slice Biz	Individual	Private equity fund	Multiple start-up businesses
Venture Capital Finance Companies	Venture Capital Trust Fund	Venture Capital Funds	Multiple SMEs sector

Appendix 4: Questionnaire

QUESTIONNAIRE ON IMPACT INVESTING IN GHANA

- We are conducting a research on impact investing landscape, funding and challenges of impact investing in Ghana.
- We should be grateful if you could assist by responding to the following Questions

1. Benefits of Impact Investing

Please indicate your degree of **agreement or disagreement** to the followings statement?

Scale: 1=Strongly Disagree, 2= Disagree 3= Neutral, 4= Agree, 5 = Strongly Agree

		1	2	3	4	5	Comment
1.1	Provide access to clean water						
1.2	Improves water and sanitation management						
1.3	Invest in cultivation of food						
1.4	Provides sustainable energy						
1.5	Improve climate change						
1.6	Preservation of biodiversity						
1.7	Improves healthcare						
1.8	Improves access to education						
1.9	Provide financial inclusion						
1.10	Promotion of income generating activities						
1.11	Creates jobs for the society						
1.12	Promote cyber security						
1.13	Improve living standards of the people						
1.14	Provide technical much needed assistance						
1.15	Support research in critical but less attractive areas						
1.16	Improves the income of people in deprived areas						
1.17	Improves tax collection by local authorities						
1.18	Produce social impact by improving employees' livelihoods						
1.19	Support agricultural value chain						

1.20 Other:.....

2. Justification for establishing impacting investing Fund

2.1 Is there a market for impact investing in Ghana? (A) Yes (B) No

2.2 If yes, what are they.....?

2.2.Is there a need for Impact Investing Fund in Ghana? (YES) (NO)

If Yes why.....

2.1 To what extent do you agree that the following are barriers to accessing funding by social entrepreneurs in Ghana? Indicate your answer with a cross (x) in the box according to the following Likert scale or specify your answer under "other".

Scale: 1=Strongly Disagree, 2= Disagree 3= Neutral, 4= Agree, 5 = Strongly Agree

		1	2	3	4	5
1	High cost of lending					
2	Capacity gaps					
3	High collateral requirements					
4	lack of exit options for equity investments					
5	Difficulty raising capital from local sources					
7	Lack of self-identification as an industry					

17 Other suggestions

2.2. To what degree do you consider the following as factors to Measures to Overcome Barriers for Accessing the Social Impact Fund in Ghana? Indicate your answer with a cross (x) in the box according to the following Likert scale or specify your answer under "other". Scale: 1= Not at all, 2= To a lesser degree, 3=To a fair degree, 4= To high degree,

5= Totally, 6= Unsure

	Factors	1	2	3	4	5	6
1	Common regulatory framework for impact investors						
2	Reduction of high risk of investing and transaction cost						
3	Adopting consistent and comprehensive measurement systems						
4	Adequate sensitization by policy makers on the impact investing fund						
5	Linking with the global impact investors network and awareness creation						
6	Collaborate with business schools to add impact investing to Business Administration curricula.						
7	Investors adapting their investment practices to the local climate						
8	Creation of a broader range of financial instruments						
9	Establishment of Independent Fund Manager for social enterprise Fund						

10. Other suggestions

.....

3. Impact of COVID 19 on Ghanaian Social Enterprise

1. Has COVID 19 affected your business operations? (A) Yes (B) No

2. If yes, how

3. if No, how.....

4. Has COVID19 affected the finance of your business (a) Yes (B) No

5. If yes, in what way.....

6. Has COVID19 affected your staff? (A) Yes (B) No

9. If yes, how has it affected your staff?.....

10 Has COVID19 affected customers of your business? (A) Yes (B) No

11. If yes, how has it affected customers of your business?

12 Has COVID19 affected Management of your business? (A) Yes (B) No

13. If yes, how has it affected Management of your business?.....

14 Has COVID 19 brought any other difficulties to your business? (A) Yes (B) No

15 If yes, mention them.....

Thank you

You may contact me on eoforiasamoah@gmail.com for further clarification or further information

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