



**Call for the Adoption of the
Ghana Social Enterprise Policy**

**Submission of the Draft Policy
to Hon. Herbert Krapa, Deputy
Minister of Trade and Industry.
*June 2022***



Background

This Position Paper is a clarion call from stakeholders in the social enterprise ecosystem to the Ministry of Trade and Industry (MoTI) to promulgate the Ghana Social Enterprise Policy which has been at the draft stage since 2017 and reviewed in 2021 to promote the growth of social enterprises in Ghana. This engagement is being led by Social Enterprise Ghana (SE Ghana) the umbrella organization of social enterprises with a membership of 1,100 organisations across Ghana.

The Position Paper highlights the need for a social enterprise policy, the contributions of the social enterprise sector, the potential of the sector and the challenges the sector faces that stifle growth.

The Draft Ghana Social Enterprise Policy defines social enterprise as an organization that applies business strategies and practices to achieve social and environmental goals and seeks to make an impact and profit (1).

Objectives Of The Position Paper

The main objective of the Position Paper is to support our call for a Ghana Social Enterprise Policy by highlighting the contribution of the sector based on our current research and the benefits the country stands to gain when the Policy is passed. In doing this, we intend the following;

- 1. To highlight the socio-economic contribution of Social Enterprises in Ghana based on research undertaken by Social Enterprise Ghana;**
- 2. To advocate for the Ministry of Trade and Industry, Ministry of Finance and Ministry of Justice and Attorney General to support the approval of the Draft Ghana Social Enterprise Policy which provides the set-up of:**
 - a distinct legal form for social enterprises under Ghanaian Law**
 - a Social Enterprise and Innovation Fund to support social enterprises and social innovation in Ghana**
 - a regulating institution for social enterprises in Ghana**

Contributions Of Social Enterprises In Ghana

The social enterprise sector has made significant contributions to the social, economic and environmental development of the country. Based on research conducted by Social Enterprise Ghana in December 2022 and validated in March 2023(2), it is estimated that there are 115,500 social enterprises in Ghana of which 54.8% operate in the agribusiness subsector. Thus, with a total of 2.1 million micro, small and medium enterprises (MSMEs) in Ghana (3), the social enterprise prevalence rate in the country is 5.5%.

Socio-Economic Contributions

In Ghana, the social enterprise sector contributes approximately GHS 23.1 billion (USD 2.6 billion) to the Ghanaian economy representing 3.35% of the Gross Domestic Product based on the 2021 GDP of USD 77.59 billion(4).

In addition, the sector currently employs 808,500 people directly which constitutes 3.4% of total employment in the country. Based on the Social Enterprises in Agribusiness 2023 Report conducted by Social Enterprise Ghana, the social enterprise sector grew by an average of 8.4% annually and created an average of 80,000 jobs annually of which more than 80% were below 35 years old.

Social and Environmental Contribution of Social Enterprise

With a strong social mission, social enterprises can appear transparent, responsive, and compassionate to customers. The positive results of business activities can be tangible and visible to local markets, such as helping fund community or environmental projects and enhancing trust in the brand. Since social enterprises typically deal with people who live at the bottom of the pyramid, therefore they are the ones who benefit hugely from the former. In other words social enterprises are beneficial to the poor, generally by providing them with a means of livelihood.

Social entrepreneurs support responsible consumption by providing sustainable options, which encourage customers to make thoughtful decisions that lessen their impact on the environment.

By tackling social and economic inequities, fostering social cohesion, and empowering underprivileged populations, social enterprises play a crucial role in constructing resilient and inclusive societies. These businesses concentrate on developing chances and answers that guarantee no one is left behind. Social entrepreneurs aim to create societies that are resilient, inclusive, and capable of withstanding and recovering from a variety of difficulties by actively interacting with diverse stakeholders.

2 Social Enterprise Ghana Report, 2023.State of Agribusiness Social Enterprise in Ghana pp 36-37, (seghana.net)

3 Ghana Enterprises Agency Report, 2020. Ghana Enterprise Agency's SME Support Services Strategy (2015-2020)

4 Ministry of Finance, 2022. Press Release dated 26th April, 2022

Contribution of Social Enterprise in Countries with Social Enterprise Policy

Countries like the United Kingdom, Ireland, South Korea and Malaysia have adopted Social Enterprises Policies that have led to great economic, environmental and economic benefits to those countries. For instance, in the United Kingdom, social enterprises employed roughly 5% of the national workforce in 2017 and contributed GBP 60 billion to the economy and 3 % of GDP (Social Enterprise UK, 2018(5). Social enterprises account for an annual economic turnover of EUR 2.3 billion in Hungary, EUR 37.3 billion in Italy, EUR 3.5 billion in the Netherlands, and EUR 3.3 billion in Portugal (European Commission, 2020(6).

5.Social Enterprise UK (2018), UK Social Enterprise Report, The Hidden Revolution 2018 p12

6.OECD. (2022). Designing Legal Frameworks for Social Enterprises pp 198-102 . Retrieved from https://www.oecd-ilibrary.org/guidance-on-legal-frameworks-for-social-enterprises_6bc75f2c-en.pdf?itemId=

OUR 3 REQUESTS

Despite the immense contribution of the social enterprise sector and the potential to contribute significantly to the Ghanaian economy, the sector has challenges that are mostly policy and finance-related in nature. The absence of a policy on Social Enterprises hinders the sector's development. Our requests are;

1. A Distinct Legal form for Social Enterprises under Ghanaian Law

There is no distinct legal form or registration process for social enterprises under Ghanaian Law. Different businesses register as entities that they believe best suit their purpose but regard themselves as social enterprises based on their mission and vision. Although Social Enterprise Ghana and the Ministry of Trade and Industry have been working on the Social Enterprise Policy since 2017, it has not been passed for implementation.

Social Enterprise Ghana survey⁽⁷⁾ conducted reveals that 96.8% of the social enterprises are of the opinion that the Company's Act and relevant laws or policies should have provisions for the registration of social enterprises so that social enterprises could be easily recognized per their registration. This will also enable the government to apply the appropriate tax rate to social enterprises so that businesses that are social enterprises in nature will not register as Not-for profit organizations to be exempted from corporate tax but will appropriately register as social enterprises.

2. A Social Enterprise and Innovation Fund

Access to funding is a major challenge facing businesses in the sector.

Eighty-four percent (84%) of businesses surveyed have not received any form of funding in the form of loan, equity or grant over the last five years. The reason among others is the fact that no policy in Ghana defines social enterprise and Ghanaian laws and policies do not have room for social enterprises. The challenge of funding could be solved through the establishment of a Social Enterprise and Innovation Fund which will also serve as an incentive for social innovation and social entrepreneurship.

The numerous social and environmental challenges such as climate change, unemployment, waste management, and food security could better be tackled with support from the Fund.

7. Social Enterprise Ghana Report, 2023. State of Agribusiness Social Enterprise in Ghana pp 36-37 (seghana.net)

3. A Regulatory Body for Social Enterprise in Ghana

The Government should set up a regulatory body for the social enterprise sector as provided for in the Draft Ghana Social Enterprise Policy. The Draft Policy makes provision for the establishment of the Ghana Social Enterprise Development Council for coordination and management of the Social Enterprise sector in the country. The government should consider supporting Social Enterprises to have a regulatory agency similar to the Non-Profit Organisations Secretariat, Department of Co-operatives and the Ghana Stock Exchange.

Recommendations

1. There is an urgent need for the Ghana Social Enterprise Policy which started in 2017 and is at the Draft stage to be passed. This has the potential to increase investment in the sector and enhance its contribution from the current USD 2.6 billion (3.35% of GDP) to USD 5 billion annually based on our research(8).
2. There should be an amendment to the Companies Act, Act 1992, 2019 to allow companies to register as Social Enterprises.
3. The Ministry of Trade and Industry (MoTI) and the Ministry of Finance (MoF) support is needed by providing seed capital for the Social Enterprise and Innovation Fund in Ghana. Social Enterprise Ghana can leverage on the seed fund and capital provided to attract private sector and development partners to contribute towards the Fund.

CONCLUSION

The Ghana Social Enterprise Policy will bring enormous benefits to the country and the social enterprise ecosystem when approved. It will be one of the best tools to solve a lot of social and environmental challenges such as unemployment, food security, waste management, climate change and maternal and child health issues.

The Policy is in line with Ministry of Trade and Industry's 10-Point Agenda(9) such as the development of MSMEs, the Enhancing Export Development Programme and the Business Regulatory Reforms and the 2022-2026 Public Financial Management Strategy.

The Call for the Social Enterprise Policy(10) also aligns with the Sustainable Development Goals (SDG), with social enterprises being one of the best vehicles of achieving them, as well as with the AU Agenda 2063(11).

9. Ministry of Trade and industry(2023) Ministry of Trade and Industry 10-Point Agenda for Industrial Transformation, p.23, <https://www.moti.gov.gh/>

10. UNDP (2022) UN 17 SDG list - Sustainable Development Goals <https://www.globalgoals.org/goals/>

11. Africa Union (2022), [Africa Union Commission Agenda 2063: The Africa We Want.](#) | [African Union \(au.int\)](#).

