



# Policy tools to unlock the potential of social entrepreneurship

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Across the world, governments have started to adopt policies to support social entrepreneurs. A record number of countries, including Germany, Malaysia and Senegal, have recently set up supportive legal frameworks in areas such as procurement, taxation, and finance, incentivizing and regulating the inclusion of social enterprises in their economies.

International organizations are similarly recognizing the contributions made by social enterprises and are encouraging national governments to support these kinds of organizations. In 2023, the United Nations General Assembly adopted a resolution “Promoting the Social and Solidarity Economy for Sustainable Development,” which acknowledges that social enterprises can contribute to the achievement and localization of the United Nations Sustainable Development Goals.

The key issue addressed in this paper is which policy tools governments can leverage to unlock the potential of social entrepreneurship. Through case studies, this paper showcases a range of policies that have been implemented to support social entrepreneurs and examines early signs of their impact.

First however, it is important to answer the question of why social entrepreneurship matters to governments.

## Why social entrepreneurship matters to governments

Social entrepreneurship has emerged as a transformative agent in the quest for more inclusive and sustainable economies. Where traditional economics struggles to address growing inequality (Oxfam, 2024) and climate change (IPCC, 2023), social enterprises have made tangible advances across a wide range of government priorities.

Work integration social enterprises provide a clear example of this progress. These businesses drive impact by employing people from underserved communities (Battilana *et al.*, 2014). As such, they help to reduce poverty, tackle social exclusion and create positive health outcomes through better social connections, improved physical activity and increased confidence and self-esteem (Joyce *et al.*, 2022).

Another example is the case of social enterprises operating in the green economy. These businesses drive impact by creating innovative products and services that benefit the environment, thereby reducing environmental risks and addressing ecological scarcities (Creech *et al.*, 2014).

What also stands out is the composition of social enterprises' leadership around the world. Data from over 50 countries across all continents reveal that, on average, one in every two social enterprises around the world is led by women (Schwab Foundation / World Economic Forum, 2024). In comparison, just one in five regular businesses is women-led (Hiraga, 2018). Social enterprise therefore appears to be more gender equal than regular commercial business.

Besides driving positive social and environmental outcomes, social enterprises are a significant economic force. Research by the Schwab Foundation and World Economic Forum suggests that there could be as many as 10 million social enterprises globally, representing around 3 percent of all companies in the world (World Economic Forum, 2024). With a collective annual turnover of 2 trillion US dollars, social enterprise is bigger than the 1.6 trillion US dollar apparel industry (Statista, 2024a) and twice as big as the 875 billion US dollar advertising industry (Statista, 2024b).

Moreover, social enterprises are drivers of public service innovation and have positive spillover effects across industries. Innovations by social entrepreneurs have been adopted by governments and business alike. For example, the South African National Department of Health adopted MomConnect, which was initially developed by the social enterprise Praekelt Foundation (now named ReachDigital), to promote maternal health for all pregnant mothers nationwide in the national health system.<sup>1</sup> And several big companies, including The Body Shop, have adopted the "open hiring" method of the social enterprise Greyston Bakery,<sup>2</sup> unlocking the power of human potential through inclusive employment.

## How government can support social entrepreneurship

Public sector support is instrumental in enabling social enterprise to drive progress. As with most industry sectors in the economy (Fournier, 2016), social enterprise growth is enabled by public investment in research, infrastructure, market incentives and supportive legal frameworks.

While an increasing number of governments are adopting supportive policies, in most countries today social enterprises operate in a policy vacuum. They are often not politically recognized and not well regulated. Given the unique character of social enterprises – their dual mission of purpose and profit – existing legal forms are usually not a good fit.

As a result, social entrepreneurs face multiple barriers when starting and scaling their businesses. Worldwide, social enterprises face limited access to finance, lack of public awareness and recognition, lack of government support, inadequate legal and/or fiscal frameworks and limited access to procurement processes (Schwab Foundation, World Economic Forum, 2024). Organizations representing social enterprise, such as Social Enterprise World Forum (Social Enterprise World Forum, 2024) and Catalyst 2030 (Catalyst 2030 *et al.*, 2021), are calling on governments to design appropriate legislation and implement (funding) programmes to remove these barriers.

There is no one-size-fits-all policy solution to support social entrepreneurship. Social enterprise manifests differently across the world and responds to differing socio-economic challenges depending on local contexts. Policymakers are thus encouraged to engage with representatives of social enterprise in the relevant jurisdictions to design supportive policies and evaluate their impact. One way to approach this is by leveraging the Better Entrepreneurship Policy Tool developed by the Organisation for Economic Co-operation and Development (OECD) and European Commission (see Box 1).<sup>3</sup> The OECD has also developed a practical guideline for policymakers on designing legal frameworks for social enterprises (OECD, 2022a).

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## Box 1 The Better Entrepreneurship Policy Tool

The Better Entrepreneurship Policy Tool, developed by the OECD in collaboration with the European Commission, is an online tool designed for policymakers and other interested parties at local, regional and national level who wish to explore how public policy can support the development of social enterprises.

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### A wide range of policy tools

In all parts of the world and across all levels of government, policies relating to social entrepreneurship have been adopted. At international level, the European Union adopted a Social Economy Action Plan (European Commission, 2021), the Association of Southeast Asian Nations (ASEAN) adopted *Guidelines for the Promotion of Inclusive Business in ASEAN* (ASEAN, 2021) and the African Union proposed a Ten-Year (2023–2032) Social and Solidarity Economy (SSE) Strategy for Africa (ILO, 2022).

Policy tools vary from designing dedicated legal forms to collecting data on social enterprise. Box 2 provides an overview of the main policy tools which governments can leverage to incentivize social entrepreneurship. In the following sections, these tools will be illustrated through five examples of laws and strategies adopted in the Republic of Korea, the United Kingdom, Brazil, Cameroon and Malaysia, respectively. The tools employed in each instance are listed above the country examples.

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## Box 2 Policy tools to incentivize social entrepreneurship

### 1. Legal forms

Establish or adapt legal forms to enable the pursuit of social and environmental benefits in addition to economic benefits.

### 2. Tax incentives

Provide tax incentives for legal forms that enable the pursuit of social and environmental benefits.

### 3. Certification and measurement

Strengthen certification and measurement mechanisms for organizations that pursue social and environmental benefits.

### 4. Public procurement

Offer procurement incentives to support social enterprises.

### 5. Public financing

Provide public financing for social enterprises through cash prizes, grants and blended-finance mechanisms which crowd in private investment.

### 6. Training and capacity building

Facilitate access to education and training programs on social entrepreneurship within and alongside schools and universities (in both urban and rural areas).

### 7. Data collection

Support the production of data on the economic, social and environmental contribution of social enterprise.

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## Social Enterprise Promotion Act of South Korea 2007

### Policy tools: training and capacity building, data collection

The Republic of Korea adopted the Social Enterprise Promotion Act in 2007, which later established the Korea Social Enterprise Promotion Agency (KoSEA).<sup>4</sup> KoSEA works to raise awareness about social enterprises and provide support programs. Key support mechanisms include:

- Social Economy Leaders Forum (SELF): held annually since 2012, SELF is an information-sharing platform where experts can discuss policies and best practice, as well as identifying bottlenecks, related to the latest domestic and international social economy trends.
- Social Enterprise Growth Support Centers: in 2020, 13 centers were in operation nationwide, providing office spaces as well as tailored mentoring services for social enterprises in the growing stage to facilitate their active engagement in developing their business.
- Evaluation and monitoring: KoSEA operates and manages the Social Value Index to provide comprehensive measurements of the economic and social achievements of social enterprises.

## Public Services (Social Value) Act 2012, United Kingdom

### Policy tools: public procurement

Widely recognized as an enabler for social enterprise, the United Kingdom's Social Value Act 2012<sup>5</sup> is designed to encourage public authorities to consider and prioritize social value when procuring goods and services. The goal of the act is to ensure that public spending goes beyond merely obtaining the best value for money in economic terms to deliver additional social, economic and environmental benefits for the community. Key features include:

- broader consideration of value – the act requires public authorities in the United Kingdom to consider how their procurement processes can improve the economic, social and environmental well-being of the area in which they operate;
- community engagement – the act emphasizes the importance of engaging with stakeholders, including local communities and businesses, to understand their needs and incorporate them into the procurement process;
- reporting requirements – public authorities are required to publish an annual statement outlining how they have considered social value in their procurement activities. This statement helps to promote transparency and accountability.

## Brazil's National Strategy for Business and Impact Investing (EnImpacto) 2017

### Policy tools: public financing, public procurement, tax incentives and data collection

In 2017, Brazil established the National Strategy for Business and Impact Investing, known as EnImpacto.<sup>6</sup> Its primary goal is to foster a conducive environment for the development of ventures that can provide market-based solutions to social and environmental challenges (OECD, 2022b). It includes the following specific objectives:

- expand the supply of capital for impact businesses<sup>7</sup> by mobilizing public and private resources intended for investment and financing of their activities;
- increase the number of impact businesses by promoting the culture of socio-environmental impact assessment and supporting their involvement in public procurement and value chains of private company;

- promote an institutional and normative environment favorable to investments and impact businesses, for example, through more efficient fiscal policy for direct investment in impact business or through impact investment funds;
- strengthen the generation of data that improve the visibility of investments and impact businesses.

The original 2017 strategy has evolved into a new Impact Economy Strategy, as per Presidential Decree No. 11.646/23.<sup>8</sup> The National Impact Economy Strategy includes objectives to expand the supply of capital to impact businesses, generate data on the sector and encourage the inclusion of socio-environmental impact solutions in the supply chains of companies and governments.

## **Law No. 2019/004 framework bill governing social economy in Cameroon**

### **Policy tools: certification and measurement, training and capacity building**

The Republic of Cameroon adopted a framework bill governing the social economy in 2019.<sup>9</sup> The bill sets out what comprises a social economy unit and how the state will promote the social economy and facilitate networking between social economy units. It includes the following activities:

- the creation of national platforms for coordination, advocacy and dialogue between public authorities and all economy promotion stakeholders;
- facilitating the creation of public and private social economy unit incubators;
- facilitating the labeling of social economy organizations and products.

Following the adoption of the framework bill in 2019, the Republic of Cameroon adopted another law in 2020 on the structuring and functioning of the network of social economy units.

## **Malaysia Social Entrepreneurship Blueprint 2030**

Policy tools: legal forms, certification and measurement, public financing, public procurement, training and capacity building, data collection

In 2022, Malaysia adopted the Malaysia Social Entrepreneurship Blueprint 2030 (SEMy2030),<sup>10</sup> which aims to create an ideal social entrepreneurship ecosystem to mainstream social enterprise within the economy and normalize its social and environmental impact. It comprises 45 initiatives under five “strategic thrusts”, namely:

- create an effective and supportive regulatory environment, governance and impact measurement system;
- enhance awareness, outreach and enculturation;
- boost the capability and competence of social enterprises;
- improve access to financial support;
- enhance access to domestic and international markets.

SEMy2030 is designed to be implemented over 10 years in two phases. The first phase is titled “strengthening the social entrepreneurship ecosystem” (2021–2025) and the second phase “mainstreaming social enterprise” (2026–2030). The policy outlines clear targets and aims to have 10,000 registered social enterprises by 2030.

## The impact of policies on social entrepreneurship

Many of the policies and strategies adopted to support social entrepreneurship are too recent to allow their impact to be accurately assessed. In most countries there is also a lack of comprehensive and comparable data on social entrepreneurship, which further limits the ability to assess impact. However, there are some data points which shed light on the possible contribution of these policy tools.

Social Enterprise UK, a membership body for social enterprises in the United Kingdom, consulted 396 local authorities across England and Wales on the implementation of the Social Value Act (Social Enterprise UK, 2024). Its research reveals that, in 2024, just under 60 percent of local authorities have a social value policy, strategy framework or similar document and 30 percent apply the Social Value Act 2012 in all eligible tenders. This is a significant increase compared to an earlier study undertaken in 2016. The Social Value Act therefore appears to have a positive impact on the number of public authorities considering social value when procuring goods and services.

The OECD reports that the actions of Brazil's National Strategy for Business and Impact Investing 2017 helped to increase the number of impact businesses in Brazil from 579 in 2017, to 1,002 in 2019 and to 1,272 in 2021 (OECD, 2022b). Furthermore, it says EnImpacto facilitated closer connection between the federal government and the Brazilian impact investment and business ecosystem, bringing the topic of impact investment into the public agenda.

While these examples reveal early signs of positive impact, policies on social entrepreneurship also have limitations. For example, some countries have adopted a dedicated legal status for social enterprise which is scarcely used. This could be a sign that such legal status is not representative of the specific needs of social enterprises in the given jurisdiction. It might also be that social enterprises do not see the added benefit of adopting this legal status; for example, when the legal status offers no accompanying incentives. This highlights the importance of consultation with social enterprise representatives during the design of policies and legal frameworks.

## The future of social entrepreneurship policy

The first step toward unlocking the potential of social entrepreneurship is to remove the barriers that prevent social enterprises from starting and growing. The policies described in this paper are examples of that endeavor – they provide tools to strengthen social entrepreneurship. The next step, however, is to leverage the experience and models of social entrepreneurs to address the persistent, structural challenges created by the purely-for-profit economy (World Economic Forum, 2022).

An example of this approach is impact measurement and reporting. While social entrepreneurs voluntarily disclose information about the socio- and environmental impact of their organizations, this is often not the case for other businesses. Through legislation, governments can make it mandatory for all companies to disclose information about their impact on the environment, their employees and broader society. This enhances transparency for consumers, finance providers and business partners regarding the company's social and environmental impact.

Learning from the experience and models of social entrepreneurs, governments can recalibrate the wider economy toward a more inclusive and sustainable future.

## Notes

- 1 See <https://www.health.gov.za/momconnect>.
- 2 See <https://www.greyston.org/openhiringjobs>.
- 3 See <https://betterentrepreneurship.eu/en/home>.
- 4 See [https://elaw.klri.re.kr/kor\\_mobile/viewer.do?hseq=24346&type=part&key=40](https://elaw.klri.re.kr/kor_mobile/viewer.do?hseq=24346&type=part&key=40).
- 5 See <https://www.legislation.gov.uk/ukpga/2012/3/enacted>.
- 6 MDIC Ordinance No. 1.883, 2017. Available (in Portuguese) at: <https://www.gov.br/mdic/pt-br/assuntos/inovacao/enimpacto/PortariaGTelaboraoEnimpacto.pdf>.
- 7 According to the strategy, Impact Businesses are defined as “projects with the objective of generating socio-environmental impact and positive financial result in a sustainable way”.
- 8 See [http://www.planalto.gov.br/ccivil\\_03/\\_ato2023-2026/2023/decreto/D11646.htm](http://www.planalto.gov.br/ccivil_03/_ato2023-2026/2023/decreto/D11646.htm).
- 9 Decree No. 2020/0001, 2020. Available at: [https://base.socioeco.org/docs/decret\\_pm\\_reseautage\\_unites\\_eco\\_soc\\_janvier\\_2020-2.pdf](https://base.socioeco.org/docs/decret_pm_reseautage_unites_eco_soc_janvier_2020-2.pdf)
- 10 See [https://www.kuskop.gov.my/admin/files/med/image/portal/PDF/SEMy2030/SEMy2030\\_Booklet\\_ENG.pdf](https://www.kuskop.gov.my/admin/files/med/image/portal/PDF/SEMy2030/SEMy2030_Booklet_ENG.pdf).

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