



Jordan

Social Entrepreneurship Policy Framework & Roadmap

Executive Summary Recommendations



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Greater
Amman
Municipality



Ministry of Digital Economy
and Entrepreneurship



Table of Contents

Background	2
Relevance for Social Entrepreneurship in Jordan	3
Jordan: Early-stage Social Entrepreneurship ecosystem	4
A. Recommendations for Setting Up an Enabling Legal and Regulatory Framework	5
Rationale.....	5
Recommendations	5
B. Recommendations for Setting Up an Enabling Legal and Regulatory Framework	6
Rationale.....	6
C. Recommendations for Enhancing the Social Entrepreneurship Culture in Jordan	6
Rationale.....	6
D. Recommendations for Ensuring SEs' Access to Finance	7
Rationale.....	7
E. Recommendations for Ensuring SEs' Access to Market	7
Rationale.....	8
F. Recommendations for Enhancing Skills and Business Development Support	8
Rationale.....	8
G. Recommendations for Managing, Measuring and Reporting Impact	9
Rationale.....	9
H. Other Complementary Recommendations	9
Rationale.....	9
Social Entrepreneurship Policy Roadmap	10
Annex A	11
Annex B	12

Embracing the significant potential of social enterprises (SE) as key enablers and accelerators for inclusive socio-economic growth, the Government of Jordan has initiated policy efforts to enable legislative pathways and a conducive business environment for Social Enterprises in Jordan.

In the context of the 1st Social Entrepreneurship Summit in Amman, 29-30 November 2021, this document presents the contextual background and lays out the priority areas of focus for the Social Entrepreneurship Advisory Committee (MoDEE) as it formalizes and actions a Policy Framework and Roadmap to enable a conducive regulatory environment for Social Enterprises in Jordan.

Background

Based on recommendations from an initial research commissioned by the Ministry of Digital Economy and Entrepreneurship, the Prime Minister directive and Cabinet decision dated 6/7/2020 for the establishment of a Social Entrepreneurship Advisory Committee, with the chairmanship of the Minister of Digital Economy and Entrepreneurship, comprising two arms: a Technical Sub-Committee, and a Legal Sub-Committee for related advocacy and legal reform.

The main objectives of the committees are to:

- ▶ Develop a policy framework for social enterprises defining an agile legal path for SEs in Jordan enabling and, the introduction of a legal form for SEs.
- ▶ Develop strategies, plans and programs for capacity building of social entrepreneurship
- ▶ Develop mechanisms to measure social enterprises impact

To ensure ownership and multi-stakeholder balance, the Committee composition of members includes MoIT, CCD, MOSD, MODEE, the President of the Legislative and Opinion Bureau (LOB) as well as key representatives of the SE eco-system including – social entrepreneurs, CSO/ CBO representatives, private sector and investors.

In partnership with MoDEE, UNDP has been facilitating efforts to advocate for and develop a vibrant social entrepreneurship eco-system through i) strengthening regulations and, ii) support structures for social entrepreneurship.

At the request of MoDEE, UNDP has been providing policy support and technical assistance to foster an inclusive enabling environment for social enterprises through strengthening the regulatory environment and support institutions of social entrepreneurship in Jordan, with particular interest to jointly developing a national transition plan in support of the social enterprise sector.

Since March 2021 UNDP has been facilitating a dedicated 3-Phase Policy Support and Technical Assistance programme with the aim of supporting and advising the Social Entrepreneurship Advisory Committee following the overarching objectives:

- ▶ Generating a common understanding on SE definition, SE main schools of thought and global best practice examples (Phase 1)

- ▶ Enabling informed choices in considering SE benchmarks in the context of Jordan (Phase 2)
- ▶ Supporting the developing of an actionable policy roadmap addressing the regulatory framework and enabling the sector transition into sustainable social enterprises business models. (Phase 3).



Relevance for Social Entrepreneurship in Jordan

Social entrepreneurship defines a business model aiming for positive impact whilst tackling social or environmental issues, improving lives, and advancing society – a business that takes social good as an equal priority to profit-making. Their governance model applies inclusiveness and transparency, and their outcomes are measured through the social or environmental impact they serve.

The sector can be wide-ranging, frequently comprising solutions to social and environmental problems, whilst creating jobs and boosting the economy through the provision of services or products. Typical initiatives can include those that meet the needs of underserved communities, safeguard the environment, create more economic opportunities and improve people's health and wellbeing.

Social enterprises are drivers of innovation and inclusive growth. Whether they are producing sustainable and accessible product alternatives, developing climate-friendly agricultural products, crafting plastic replacement or water saving solutions, or they are creating innovative digital solutions, supporting social entrepreneurship means investing in social and green innovation.

Social enterprises are viable agents of change to help achieve the Sustainable Development Goals. As initiating agents for innovations and impact for the greater good, social enterprises have a great potential to foster sustainable and inclusive growth. Consequently, fostering social entrepreneurship ecosystems is an additional way to sustain and complement public policies in the sustainable development area. They contribute to social equality and improve the living conditions of people in the community; generated

profit is commonly reinvested in impact goals i.e., job creation, social inclusion, health care and preservation of the environment.

Social enterprises (SEs) generate economic and social value across all sectors; Their contributions to the economy are significant.

According to the European Commission, the social entrepreneurship sector is growing rapidly and currently employs around 40 million people and engages over 200 million volunteers globally. SEs represent 10% of all businesses in the EU, employing more than 13.6 million⁽¹⁾.

The UK's social enterprise sector is worth £60 billion to the UK economy (3% GDP)⁽²⁾. SEs create inclusive jobs, Drive innovation, support social entrepreneurship, bridge gaps in public service-provision and assist countries achieve SDGs.

There is a need, and a national gain for Jordan to enhance social entrepreneurship support structures - to allow SEs to start up, but also to scale up and grow, to maximize their contributions to solving pressing social issues, enhancing livelihoods and reaching out to the marginalized and vulnerable.

Social entrepreneurs need a favorable and enabling business ecosystem to thrive and to bring their impact to scale.



Jordan: Early-stage Social Entrepreneurship ecosystem

Following an in-depth analysis of the existing conditions and using the OECD Better Entrepreneurship Policy Tool, the Jordanian social entrepreneurship ecosystem can be categorized as an early-stage SE ecosystem with the main characteristics and barriers listed below:

- ▶ Low awareness and low/no recognition of SEs
- ▶ No legal or regulatory frameworks acknowledging SEs
- ▶ Lack of effective social enterprise development pipelines
- ▶ Low survival rates due to lack of sufficient support
- ▶ Success stories generally belonging to exceptional individuals (instead of an enabling environment)
- ▶ Dependence on grants instead of market-based solutions
- ▶ Limited number of support-programs specific to SEs
- ▶ Lack of stage specific support programs specific to SEs

(1) European Commission, 2020, Social enterprises and their ecosystems in Europe, <https://europa.eu/!Qq64ny>

(2) Social Enterprise UK's 2018 'The Hidden Revolution' Report

- ▶ No or low access to finance (impact investment, loans etc.)
- ▶ Limited number of intermediaries working exclusively for SEs
- ▶ Lack of coordination among related ecosystem actors
- ▶ Lack of one-stop-shop knowledge hubs
- ▶ Lack of an overall monitoring or data collection system

In summary, SEs are struggling from ecosystem constraints, particularly current regulations that limit the emergence of business, in addition to the burdens of taxation and social security laws.

Recommendations

In an effort to address the key constraints, the Advisory Committee explored and contextualized global best practices to develop an inclusive legislative framework.

The conclusions drawn and recommendations put forward will be vital to enable a conducive regulatory environment and support structures stimulating a vibrant social enterprise sector and Inclusive Growth at large in Jordan.

Based on the OECD Better Entrepreneurship Tool⁽³⁾ and diligent review and discussions by the Advisory Committee (*Referential Paper), the following recommendations have been stipulated:

A. Recommendations for Setting Up an Enabling Legal and Regulatory Framework

- ▶ Amending existing by-laws and formulating a definition and legal status for SE in Jordan and providing a common definition for SE to steer policy in general
- ▶ Ensuring simple and accessible procedures for administrative processes
- ▶ Ensuring transitiveness, convertibility and equivalency among formal and non-formal entities in reasonable time frames
- ▶ Formulating incentives (such as fiscal incentives) based on needs of the SE and support actors

Rationale

Good legal and regulatory frameworks provide clarity, credibility, legitimacy and legal security for social enterprises. For clarity reasons, differentiating the SEs from regular commercial enterprises, and differentiating regular cooperatives and non-profit organizations from the ones that carry the qualifications of SEs is critical. Conceptual confusion should also be eliminated not to confuse SEs with new forms of civic interventions or philanthropy, or privatization of social services provided by the state before.

(3) <https://betterentrepreneurship.eu/> EU-OECD Better Entrepreneurship Policy Tool

Formulating a definition becomes crucial in this respect. It is also crucial to have a definition to be able to implement targeted policy support and to be able to integrate and include SEs to the existing policy strategies and support mechanisms.

B. Recommendations for Setting Up an Enabling Legal and Regulatory Framework

- ▶ Designating a statutory body for Social Enterprises and introducing registry systems for the recognition of Social Enterprises in Jordan
- ▶ Ensuring alignment among existing or work-in-progress strategies and plans where Social Enterprises are somehow related
- ▶ Setting up consultations or participatory frameworks for Social Enterprises and inclusiveness measures for underrepresented community-based groups or organizations
- ▶ Making the policy instruments and administrative jargon digestible/ accessible for all types of actors

Rationale

In an ideal social entrepreneurship ecosystem SEs are recognized by institutional bodies that support and engage with them. There are effective coordination mechanisms building collaborations among government agencies and across government levels. Policy making is inclusive and there is a formally endorsed strategy for SE development since strategy documents ensure wider stakeholder engagement serving as a common reference point.

Facilitating the formation of enabling frameworks for SEs, while staying agile and flexible, is a major challenge. Research suggests that the institutional processes of law-making rather than the contents of legal rules determines the effectiveness of legal institutions. Ensuring stakeholder participation that involves potential beneficiaries and users, legal experts and other related interested bodies opening a space for co-design proved to be highly effective in other countries.

C. Recommendations for Enhancing the Social Entrepreneurship Culture in Jordan

- ▶ Collecting data and reliable statistics on the state of the SE sector or collecting SE-disaggregated data
- ▶ Raising total awareness (awareness of everybody including people on the street) on defining or differentiating the characteristics of social enterprises
- ▶ Providing formal SE education opportunities (e.g. curriculum in high schools, business schools or master's degrees)
- ▶ Supporting research and development about SEs in Jordanian universities or research centers

Rationale

The ideal SE ecosystem defines a place where awareness-raising activities are undertaken, civil society and social economy organizations actively foster social entrepreneurship, education and research activities

contribute to the development of positive attitudes towards social entrepreneurship and statistical data on social enterprises is collected and analyzed on a regular basis.

Awareness campaigns have a big impact on ensuring wider recognition and removing many micro barriers embedded in culture. Government supported communication and awareness campaigns, with the help of national champions and changemakers, targeting the whole society have been identified as the single most important remedy by various stakeholders and experts.

D. Recommendations for Ensuring SEs' Access to Finance

- ▶ Mapping the financing market for the use of SEs, cataloging main actors, types of intermediaries and types of opportunities supplied to ensure that the real needs of the SEs and finance options supplied/ provided are not mismatched
- ▶ Setting up or supporting specific organizations or capacity-building and training programs dedicated to financial development of SEs e.g. investment readiness or capacity-building for applying to private investment or larger grants
- ▶ Supporting establishment of impact investing networks and integration of these networks with the global networks to ensure investment/capital flow into Jordan
- ▶ Setting up public funds incentivizing development of private and public funding for SEs or setting up a government recognition or award system for fund providers
- ▶ Developing training programs available for finance institutions and their staff or generating guidance documents/tools for finance institutions so that they can access to international funds (that provide financing to finance institutions)
- ▶ Developing public grants specific to SEs or removing the barriers for SEs to apply to grants developed for other types of actors such as technology start-ups, civil society organizations etc.

Rationale

The ideal social entrepreneurship ecosystem as an ecosystem where the financing market has been mapped, SEs have access to the appropriate type of financing for their stage of development and are supported in their financial development by specialized services providers.

In a thriving SE ecosystem, a sufficient number of specialized private funders actively target SEs, policymakers actively reach out to the mainstream funders to raise awareness about SEs and public funds are leveraged to fund both SEs directly and through intermediaries.

E. Recommendations for Ensuring SEs' Access to Market

- ▶ Assessing the level of technology use of SEs for access to market and assessing the resilience of SEs in the face of Covid-19
- ▶ Introducing public procurement modalities used by municipalities or public agencies that prioritize SEs

- ▶ Providing access to SEs for capacity building services for applying to government tenders
- ▶ Developing training programs available for public procurement officials to inform them about procurement from SEs or social economy organizations
- ▶ Facilitating partnership among SEs and commercial enterprises for applying to government tenders or between SEs and big corporations for Buy Social campaigns or CSR related sales or services
- ▶ Raising awareness in ecosystem actors for international certification schemes such as B-Corp or Social Enterprise Mark or Fair Trademark to ensure integration with global markets

Rationale

An ideal SE ecosystem in terms of market development is achieved when SEs have access to public markets through public procurement schemes and receive supports for responding to tender calls and if measures that support social enterprises' access to private markets exist and SEs use the opportunities that are offered in the private markets as well as using new technologies to access markets.

Removing the barriers or roadblocks is as critical as new provisions under the access to market category. Piggybacking on existing structures can save many resources while ensuring rapid positive change. Improving the existing opportunities in the business to business (B2B) supply chains for SEs, making sure that there are no barriers for SEs to benefit from digitalization and internationalization support schemes, making sure that SEs are able to benefit from the exemptions that other trading organizations can benefit, integrating SE development programs to the existing activities in technology transfer offices, techno parks, competition or award programs and identifying and eliminating any other gaps which may exist in business support available to SEs proved to be useful in other country contexts.

F. Recommendations for Enhancing Skills and Business Development Support

- ▶ Developing dedicated training initiatives for SEs and ensuring that there is enough support to meet the demand
- ▶ Developing training programs for different lifecycle stages of SEs (not only entry level)
- ▶ Building dedicated coaching and mentoring programs where mentors are knowledgeable about SEs
- ▶ Supporting and developing dedicated hubs and incubators only for SEs across regions
- ▶ Supporting establishment of social enterprise networks in Jordan

Rationale

In an SE ecosystem, there should be dedicated training initiatives, coaching and mentoring programs available to SEs as well as business development support structures and networks supporting the development of SEs.

Well-functioning intermediaries (accelerators, incubators, co-working spaces, helpdesks etc.) are essential for ecosystem development and at the same time within a well-functioning ecosystem, intermediary organizations play key roles by:

- i) providing visibility to existing social entrepreneurship endeavors and raising awareness,
- ii) developing and implementing support programs to improve existing SEs,
- iii) supporting the emergence of new SEs through tailored programs and disseminating information at multiple levels,
- iv) carrying out community-building activities encouraging encounters across sectors and actors and cultivating relations and networks of partners, peers, collaborators, and donors for the sustainability of the system.

G. Recommendations for Managing, Measuring and Reporting Impact

- ▶ Generating open-access tools and guidelines in Arabic for impact measurement and making sure that the SEs know about the availability of these resources
- ▶ Ensuring that the generally accepted impact metrics involved participation of SEs and that those metrics do not reflect priorities of other actors or sectors
- ▶ Ensuring alignment between SDG related impact measurement and accepted impact metrics
- ▶ Supporting and incentivizing research on impact measurement
- ▶ Ensuring that the public policy development processes are designed to take measured impact into account while making and revising decisions

Rationale

In an ideal SE ecosystem, there are awareness-raising initiatives on impact measurement and reporting, SEs have access to methods for measuring and reporting impact, the impact metrics and reporting techniques are co-developed with the social enterprise community, and finally impact measurement and reporting features are discussed regularly and openly and feed into policy-making.

Comparable social impact reporting and shared measurement practices are crucial for attaining collective impact. A great collective impact target unifying all actors and sectors including SEs is the 2030 Agenda and the Sustainable Development Goals.

H. Other Complementary Recommendations

- ▶ Introducing issue-based policy calibration actions or issue specific policy actions (i.e. around water scarcity, women's participation in the labor force, poverty, health, waste management) for facilitating SEs' conduct in these areas
- ▶ Introducing fiscal incentives to complement the actions for setting up an enabling legal and regulatory framework

Rationale

Issue-based Calibration: Thematic policies are relevant to SEs sometimes more so than the SE-related policies. Most SEs are affected as much from their industry related laws and regulations so opening space for SE type organizations in theme specific laws and regulations is a line of work that will contribute greatly to the development of the SE ecosystem.

Fiscal Incentives: Governments worldwide support the financing of SEs with different approaches, such as allowing for tax incentives, employee subsidies, government social procurement as well as exemptions from VAT and governmental charges.

Social Entrepreneurship Policy Roadmap

Based on the key recommendations and priority areas laid out in the policy framework, a roadmap was developed detailing prioritization logic throughout four progressive phases in terms of i) needs, ii) time-frames and ecosystem development stages, iii) partnership in leading and supporting the actions, and iv) guiding principles.

- ▶ **Phase 1** → niche to significant contribution → nascent stage (1-2 years)
- ▶ **Phase 2** → significant contribution to national priority → early stage (2-3 years)
- ▶ **Phase 3** → national priority to significant socio-economic impact → growth (3-5 years)
- ▶ **Phase 4** → mainstream → mature stage (5-7 years +)

The road map generation process highlighted needs and gaps in the SE ecosystem such as the need for representative bodies for SEs in Jordan, the need for a clearer attribution of roles, functions and coordination among eco-system stakeholders and, the requirement for a more active participation from national academia in this field.

In summary, identified actions refer the following areas

1. Amending existing bylaws to open up space for SEs in Jordan, aligning SE policy with existing or Work-in-Progress strategies and plans where SEs are related and ensuring take up of SE Policy
2. Formulating and codifying a clear definition a legal form (and status) for SEs in Jordan
3. Establishing participatory monitoring mechanism and generating open-access tools and guidelines for impact measurement metrics for Jordan (in Arabic),
4. Supporting SE accelerators & incubators to raising awareness and facilitating market entry,
5. Facilitation of Access to Finance and Markets for SEs in Jordan,
6. Capacity building and awareness building requirements at all tiers of the SE sector,
7. Added research and contribution by academia,
8. Raising awareness on defining and differentiating the characteristics of SEs in Jordan.
9. Build environment for and network of impact investors

Policy Objectives and Guiding Principles

Setting clear objectives and adopting widely agreed guiding principles is fundamental for effective policy design as well as tested cause and effect relations between these elements.

Based on UNDP expert research focusing on

1. Needs of the SEs in Jordan and mapping studies
 - ▶ Injaz study on social entrepreneurship in Jordan,
 - ▶ EU MedUP Jordan Social Enterprise Study,
 - ▶ Baseline Social Enterprise Study under the EU Mubaderoon Project
2. Best international practices
 - ▶ UNDP expert desk research
 - ▶ Outputs of various stakeholder meetings/workshops and Committee deliberations

The following **policy objectives** had been adopted by the Advisory Committee:

- ▶ **Raise awareness about and build recognition and legitimacy for SEs in Jordan** via introduction of legal and regulatory frameworks and operationalization of these frameworks through by-laws and administrative measures
- ▶ **Mobilize and facilitate ecosystem level interventions primarily in the access to finance, access to information and access to market areas** for SEs in Jordan
- ▶ **Build ownership and partnership among ecosystem actors**, and identify and act on opportunities that wouldn't have happened naturally without any championing government agency
- ▶ **Cultivate the existing SE ecosystem** through measures that will increase the number of SEs and that will strengthen existing SEs through removing roadblocks and facilitating cooperation

Policy objectives need to be anchored in **guiding principles** that will act as decision support pillars. These principles are also essential for building effective outreach and communication strategies around a policy to make it organic and sustainable.

Policymaking for the SE ecosystem is going to be a long-term and adaptive process and guiding principles mentioned here are going to be the building blocks of the design, implementation, financing, coordination, and revision phases of policy. Thus, it is crucial to remember that the discussion on the guiding principles need to remain open to be revisited regularly in the long run.

At the working session of 7-8 September 2021 workshop of the National Advisory Committee, the policy objectives were matched with the following principles (in order of importance) to guide strategic decisions throughout the policy design, implementation and reviewing phases:

- ▶ **Partnership and Collaboration-based Approach**, Optimal level for this principle is when the government or its agencies are acting mostly as enablers to help existing actors to flourish.
- ▶ **Openness**, Optimal level for this principle is when there are open consultation and feedback mechanisms based on mutual trust in the design, implementation and review processes of the policy in question.
- ▶ **Ecosystem as the Main Level of Analysis for Social Impact**, Optimal level for this principle is experienced when there are ecosystem level progress indicators and sector level reporting templates instead of focusing on enterprise level success.
- ▶ **Inclusiveness**, Optimal level for this principle in the SE policy field is when there are specific inclusion mechanisms and tools co-designed with disadvantaged groups.

Additionally, the following principles have been identified as critical yet secondary in terms of urgency when the needs and challenges of the Jordanian social entrepreneurship ecosystem is considered:

- ▶ **Long-termism**, Optimal level for this principle is when the policy focuses on long-term outcomes instead of immediate success and manages outcome expectations by trickling down from a 5 to 10-year time frame to avoid purpose drift.
- ▶ **Compatibility and Global Positioning**, Optimal level is reached when the policy at hand has comparable and globally recognized definition and intervention elements allowing for easy integration to global markets.
- ▶ **Interdisciplinarity and Mainstreaming Mindset**, Optimal level is achieved when the policy is not theme-focused and is essentially horizontal with interdisciplinary, integrable or transferable elements.

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