

## **The Role of Government in Supporting Social Enterprise/Social Business**

### **Cheryl Kernot**

There is now a growing body of evidence for governments to legitimately champion social enterprise as a way of achieving the social policy goals of a fairer, more just society through its focus on meeting unmet social needs, addressing environmental challenges, encouraging ethical markets and raising the bar for corporate responsibility.

But social enterprise take-up does not exist independently of the social investment landscape, developed networks and capacity building opportunities which both encourage and support its growth. It requires a whole of government strategy even to maximise specific social inclusion outcomes which appear to be the current focus of the Australian government.

We have such cultural and institutional similarities that we can learn much from the UK policy roll-out and the impressive example of the Blair government, continued under PM Brown demonstrating the role for government in enabling a supportive policy and fiscal environment as a catalyst for change and also the role of government as an investor in solutions that work..

Within its first term, the Blair Government created a dedicated Office of the Third Sector within the Cabinet Office giving it status and the authority to work across departments. This was followed by a Social Enterprise Action Plan in 2006 to actively foster across all departments a culture of building an evidence base, disseminating knowledge, enabling access to appropriate finance and making it possible for social businesses/enterprises both to grow and to participate in government procurement options. Action Plans have been reviewed and acted upon.

Having identified the lack of access to appropriate finance as a barrier to the growth and scaling up of social businesses the UK government adopted a number of policy options such as:

- A risk capital fund with 50% government equity and 50% private (from 2 large banks);
- Community Investment Tax Relief of 5% p.a. of the amount invested available over 5 years to individuals and corporate bodies investing in accredited Community Development Finance Institutions (CDFIs), which then in turn provide finance to qualifying profit-distributing enterprises, social enterprises or community projects.

And the UK government is in final consultations over using the money in dormant bank accounts for a wholesale Social Investment Bank. Notably the focus is on loans not grants.

Some practical ideas for Australian governments:

- Evaluate the social enterprises awarded seed funding under the Jobs Fund and extend the funding beyond the Fund's stated two years to those demonstrating social impact.
- Extend existing capacity building and business skills programs to include specific social enterprise capacity building options.
- Fund pilots of the use of social clauses in the commissioning of public contracts. (This means specifying wider social outcomes as part of public sector tenders.)

- Legislate for the introduction of Community Development Finance Institutions (CDFIs) as a potential social investor at the local economy level enabling them to run under-used local authority assets for example.
- Scope ways for the Federal Government to initiate partnerships with state governments and/or the private sector to set up A Social Innovation Fund to seed innovations and fund experimental efforts by social entrepreneurs.

The UK Labour Government sees social entrepreneurship as “the latest form in a continuing evolution, a new experiment in the journey from philanthropy to state action to a partnership between state, market and individual.”<sup>1</sup> And that, in summary, is where Australia has not yet made the cultural leap. Leadership can change that and harness the best of Australians’ capacity for social purpose innovation.

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<sup>1</sup> Minister for Third Sector, Phil Hope at Voice 09 Conference, Jan 09