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**MEDUP!**

Promoting social entrepreneurship in the Mediterranean Region

**REVISING OF THE LEGAL  
ENVIRONMENT, POLICIES AND  
PROCEDURES IN PALESTINE TO  
PROMOTE SOCIAL  
ENTREPRENEURSHIP IN THE  
MEDITERRANEAN REGION (MEDUP/  
1/2018)**

**FINAL REPORT  
SUBMITTED TO PARC**

*New Vision  
Management  
Consulting  
and Training  
Firm*

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## **Glossary**

NGO: Nonprofit, non- government organizations

PNA: Palestinian National Authority

PA: Palestinian Authority

SE: Social Enterprises

SESO: Social Enterprises Support Organizations

MOFP: Ministry of Finance and Planning

MONE: Ministry of National Economy

MOL: Ministry of Labor

MOSD: Ministry of Social Development

SEC: Small Enterprise Center

PALTEL: Palestine Telecommunication Company

OPT: Occupied Palestine Territory

OCHA: UN Office for the Coordination of Humanitarian Affairs

## **I. Executive Summary**

New Vision Management Consulting and Training firm was awarded the contract by PARC to conduct the review of the legal Environment, policies and procedures in the occupied Palestinian territory regarding the Social Enterprises.

The Social aspect of the Enterprises has been present in Palestine since ages and the term might take different titles such as Solidarity, Social Entrepreneurship, Social Investment, Cooperatives, Social responsibility and many other titles in the Palestinian context, like any other places, there is no clear definition of Social Enterprises.

This study was considered the second Phase after the first phase which was conducted by Sky professionals who produced the needs assessment of Social Enterprises in the MENA Region- Palestine.

New Vision reviewed all the reports and documents produced in phase one in addition to all relevant studies done on the MENA region and in the Palestinian territory in particular such as the study conducted by SEC 2017 on Social enterprises in Palestine and other relevant studies.

The consultant met with many stakeholders in this regard and this included government and Ministry officials, NGOs, civil societies, private sector representatives, social enterprises, non-profit company representatives, SESO representatives, Zakat committees and many other key persons relevant to the Social Enterprises.

The Palestinian people still suffer from the policies of the Israeli occupation and its control over natural resources, especially land and water, which constitute 63% of the Palestinian territories. This has led to a decline in the achievement of development goals and the improvement of the economic situation. The Israeli occupation continue its policy against the Palestinian people and their flagrant violation of international and humanitarian laws by the continuous actions of isolating the population in Area C, especially in the Jordan Valley, and tightening the siege on the residents of Jerusalem to drive them to emigrate and more than 10 years of siege on Gaza, from sea, air and land. The restriction of movement of people and goods getting into Gaza or getting out of Gaza is extremely difficult to achieve. Not only that, but also the policy of apartheid especially after the construction of the separation wall and the isolation of land from the Palestinian population and denial of access to and use in various economic activities, especially agricultural activity. In addition to erecting barricades, restricting freedom of movement between residential communities, imposing military closures, demolishing homes, displacing people from their lands and expanding settlements are all continuous Israeli actions. Thus, occupation is the main cause of the poverty problem in Palestine and the high number of humanitarian cases. According to UN reports, 1.8 million Palestinians received emergency humanitarian aid due to the denial of their human rights by the occupation practices

The Palestinian occupied territory has been suffering from the divid between the West Bank and Gaza since Hamas took over Gaza more than 10 years ago. In West Bank President Mahmoud Abbas and the government of Dr. Rami Hamdallah is the official leadership in the area, while in Gaza, Hamas is the managing authority over the Gaza Strip, given that the West Bank government is paying most of the Gaza public salaries, utility expenses, health, education and many other sectors are financed by West Bank government.

The legislative council has been out of order since Hamas governed Gaza and since then the legislations have been issued by the President Abbas as Presidential decrees to be ratified by the legislative council when the council is activated.

In 2018, unemployment rate reached 30% in the first quarter, where the number of unemployment reached 404,800 people; 255,000 in the Gaza Strip compared to 149,800 in the West Bank. Data indicates that the unemployment rate between the West Bank and the Gaza Strip remains very high, with 49.1% in the Gaza Strip, compared to 18.3% in the West Bank, and 25.0% for males and 48.9% for females.

Unemployment rate among graduates (diploma or higher degree) is estimated at 55%. Unemployment rate rose in 2017 to 28.5%.

With regard to the participation of women in the Palestinian labor force, it reached 19% of the total female labor force in 2017, compared to 10% in 2001. The participation rate of males in the labor force was 71%.

The findings of a Palestinian survey showed that the percentage of poverty in the West Bank reached 13.9%, while the percentage reached more than half of the population in the Gaza Strip, it reached 53.0%,. There is a clear correlation between unemployment and poverty. The higher the unemployment rate, the higher the poverty rate is. The reason for the rise in unemployment and poverty in Gaza is due to the siege imposed on the Gaza Strip since 2007 and the war which caused great destruction in all fields.

The consultant reviewed all laws relevant to the Social Enterprises and this included the NGO law, companies law, non-profit company law, cooperative law, Zakat bylaws, Income Tax law and many other documents, laws and bylaws related to the study.

The term Social Enterprise is not popular in the Palestinian context. The European Union has defined the social enterprise as ***"a social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders, .It operates by providing goods and services to the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and in Particular, involve employees, consumers and stakeholders affected by its commercial activities.***

The current laws and literature don't include any terms of Social Enterprises by definition as it was presented earlier, although many Social Enterprises components are present in one way or another in different forms such Non-Profit Company, NGOs, Cooperative, Zakat Committee and Fair Trade Companies, Social responsibility of public shareholding companies and other forms.

The study reviewed each of these different legal entities and analysed them in terms of its focus on social impact, ability to generate profit, its nature as a company to produce products and services for profit, its sustainability and many other issues of concern.

The study discussed in details laws, policies and procedures that affect the above entities and the government status in terms of facilitating and supporting the Social Enterprises.

The Government has different kinds of legislations to create an enabling environment for the private sector companies in all its kinds and at the same time the enabling environment for the NGO sector and civil society in the Palestinian occupied territory.

The Government deals with the above sectors as either income generating and profit making operation and this is subject to all kinds of tax subject to the private sector regardless who own this operation even if it was a cooperative or NGO. And the development and solidarity and emergency intervention are usually done by non-profit companies or NGO and this is regulated by the relevant laws.

The government has decided to freeze the implementation of the non-profit companies' law and currently there is no new registration for such an entity, those registered under this law are being monitored very closely in terms of funding and the scope of its operation by different government agencies.

There are no in-between organizations merging social impact with generating profit, although recently there are new companies being established to have a social impact and to generate profits but they are registered as any other company without having any special treatment from the government.

Welfare association is having a program to support this kind of enterprises who focus on innovation, environment, social impact and at the same time the companies also aim to generate profit for their own use and not only to be reinvested in the company but for creating better life standards for the owners of the company.

The definition of Social Enterprises in Palestine needs to have an agreement between different stakeholders and this should be customized towards the Palestinian economics and social culture. People who are interested in having Social Enterprises are NGOs or social activists, academic people, cooperatives and other target people. All people interested in Social Enterprises are struggling towards having steady income and for people in the middle class to be able to live in accepted life standards especially that they don't have access savings to invest in Social Enterprises without getting any returns out of that investment.

The consultant suggests the following definition that can be accepted by many stakeholders.

**Definition:**

**The social enterprise is a private profit enterprise that aims not only for profit but also to achieve community development and provide services and advice addressing some social problems focusing on the environmental dimension and gender in an innovative way.**

**The profit generated is distributed to the owners and some percentage will be reinvested in the company when needed.**

In order to reach a clear concept of social enterprises, it is suggested to:

1. Hold a national conference to present concept papers to reformulate, clarify and define the concept.
2. Clarify the concept by raising public awareness.
3. Reflect the concept of social enterprises on laws and legislations and unify laws in line with the new definition.
4. Create a legal legislative environment to support the establishment of SE..

The consultant recommends launching awareness campaigns through institutions that support community projects and interact with the government regarding financial support and awareness to encourage social projects.

Also forming a coalition of different stakeholders (as a lobbying group) is crucial to lobby for and explain the concept to different community groups and sectors. As well as contributing to the development of national plans, programs and projects, including plans for the preparation of appropriate laws and programs for community awareness.

The SESO, Supporting Entities role is very important and can be summarized in the following:

- Direct the decision maker in the government to make the necessary policies through conducting specific research or by addressing sensitive economic situations of interest to the community and which do not have governmental economic policies.
- Support social project capacities in management, production and marketing.
- Awareness, lobby and advocacy campaigns to encourage consumers to purchase products of social enterprises.
- Introducing enterprises and their products and clarifying the social role of producers to marketers and linking them to external marketing networks (Fair Trade Network, Cooperatives Network....).
- Cooperation between supporting institutions, universities and research institutes to develop supportive laws and policies.
- Build marketing networks both locally and abroad such as Cooperatives and Fair Trade to enhance their products in foreign markets.

## II. Introduction

New Vision for Management Consulting and Training was awarded the contract to conduct the review of the legal Environment, policies and procedures in the occupied Palestinian territory regarding the Social Enterprises.

The Social aspect of the Enterprises has been present in Palestine since ages and the term might take different titles such as Solidarity, Social Entrepreneurship, Social Investment, Cooperatives, Social responsibility and many other titles since in the Palestinian context, like any other places, there is no clear definition of Social Enterprises.

The Palestinian community over the years of occupation from the day Israel occupied the Palestinian Territories West Bank, Jerusalem and Gaza in 1967, the movement of social solidarity and the aim of thinking of the people in the marginalized areas in Refugee camps, rural areas and those such as farmers, women, disabled people, youth, poor people and many other target groups were in the core of the strategies of many organizations which were called non-government organizations, societies, forums, unions, and other forms of cooperative small businesses and coalitions.

The Palestinian territory after the establishment of the Palestinian Authority developed several laws such as company laws, cooperative laws, local government laws and many other related laws.

The current situation in 2018 is different than the environment that used to be under the direct Israeli occupation since 1967. The PA after Oslo Accords was responsible for managing and drafting the new laws, procedures, policies and monitoring its implementation towards the achievement of the National strategies to develop the Palestinian economy and create institutionalized systems and environment to strengthen the solidarity movement with the Palestinian struggle and the economic development to minimize unemployment, to create new jobs and opportunities for the new generation and in specific for women, and the overall goal is to establish the Palestinian Independent state with its capital East Jerusalem.

### **The concept of social enterprises:**

There is an increasing interest in social enterprises due to its role in economic and social development. On one hand, they implement productive and income-generating projects that contribute to the enhancement of economy and also improve the standard of living, especially the vulnerable and the marginalized people and those in remote areas that lack basic services.

This requires governmental legislation, laws and policies, as well as the efficient practice of economic activities, and community awareness to achieve the desired goals and to leave a clear social impact on society, such as addressing the problems of poverty and unemployment.

The European Union has defined the social enterprise as *"a social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services to the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social*



*objectives. It is managed in an open and responsible manner and in particular, involves employees, consumers and stakeholders affected by its commercial activities."*<sup>1</sup>

The Social economy ecosystem in Europe is formed by 2 million enterprises 10% of all EU enterprises employing over 14.5 Million Europeans, the equivalent of some 6.5% of the EU population<sup>2</sup>.

The concept of social enterprises according to the previous definition is linked to four main rules, the most important of which are:

1. Provision of an economic project for the enterprise to achieve profits needed for its sustainability and development of the project.
2. Existence of social objectives to achieve and implement the project.
3. Managing the institution in accordance with the participatory democratic regulations.
4. Restriction of the distribution of profits, and allocation of percentages to achieve the social objective.

In Palestine many of these components of the definition is present but not all of these components are met in one kind of SE. The main issue of concern is the funding of any project regardless if it is private sector and for profit or civil society organization or Social Enterprise or NGO, cooperative or any other kind of organization.

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<sup>1</sup> Synthesis Report, June 23, 2016. Formulation Mission and mapping: support to Social Business Ecosystems in the Southern Mediterranean Countries.

<sup>2</sup> Synthesis Report, June 23, 2016. Formulation Mission and mapping: support to Social Business Ecosystems in the Southern Mediterranean Countries.

### III. Context

The Palestinian people still suffer from the policies of the Israeli occupation and its control over natural resources, especially land and water, which constitute 63% of the Palestinian territories. This has led to a decline in the achievement of development goals and hindered the improvement of the economic situation. The Israeli occupation continues its policy against the Palestinian people and their flagrant violation of international and humanitarian laws by the continuous actions of isolating the population in Area C, especially in the Jordan Valley, and tightening the siege on the residents of Jerusalem to drive them to emigrate. Not only that, but also the policy of apartheid especially after the construction of the separation wall and the isolation of land from the Palestinian population and denial of access to use in various economic activities, especially agricultural activity. In addition to erecting barricades, restricting freedom of movement between residential communities, imposing military closures, demolishing homes, displacing people from their lands and expanding settlements are all continuous Israeli actions. Thus, occupation is the main cause of the poverty problem in Palestine and the high number of humanitarian cases. According to UN reports, 1.8 million Palestinians received emergency humanitarian aid due to the denial of their human rights by the occupation practices.<sup>3</sup>

#### 1. Political status:

The occupied Palestinian territory has been suffering from the split between the West Bank and Gaza since Hamas took over Gaza more than 10 years ago. In West Bank, President Mahmoud Abbas and the government of Dr. Rami Hamdallah is the official leadership in the area, while in Gaza Hamas is the managing authority over the Gaza Strip, given that the West Bank government is paying most of the Gaza public salaries, utility expenses, health, education and many other sectors.

The legislative council has been out of order since Hamas governed Gaza and since then the legislations have been issued by President Abbas as Presidential decree to be ratified by the legislative council when the council is activated.

The Israeli occupation has enforced siege over land, sea and air on Gaza ever since Hamas took over Gaza, and nothing; neither people, products nor gasoline for the electricity company is allowed to enter Gaza without Israeli occupation permission. This siege has created unemployment rates to be the highest in the world since Gaza became the biggest jail in the world and this affected the whole community and the economy is crashing down.

The recent decisions of the US administration regarding the recognition of Jerusalem as the capital of the occupying state, the transfer of its embassy from Tel Aviv to Jerusalem, and ending the funding of Palestinian National Authority institutions, development institutions and UNRWA, including special assistance to Jerusalem hospitals, have been reflected as a means used to pressurize the Palestinian leadership into accepting the American plans in the region. This clearly supports policies of settlement, land confiscation, declining support for the rights of the Palestinian people and the loss of hope for a political solution to the Palestinian case.

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<sup>3</sup> *Annual Report of the Palestinian Center for Social and Economic Development, 2017*

## **2. Legal environment:**

In the absence of the Palestinian Legislative Council, the role of non-governmental organizations as service organizations in the fields of freedom, advocacy, equality and others is increasing to the standard of those involved in economic and development policy making. It is not enough for the official bodies to exercise their role in monitoring the performance of these organizations, rather, NGOs need to elevate the level of observance on the performance of the official authority in the absence of the legislative council.

## **3. Demographics:**

The results of the 2017 census showed that the total population was 4,780,978 people (2,881,687 in the West Bank and 1,899,291 in the Gaza Strip).<sup>4</sup>

Based on the results, it is clear that the Palestinian society is a "youth society". 47% of the population are less than 17 years old which form approximately 2 million people whereas the youth category form about 25% of the population.

The number of households in Palestine is estimated at 919,000. The average family size is 5.1 persons (4.8 in the West Bank and 5.6 in the Gaza Strip).

As for Palestinian women, half of the population in Palestine is female and about 10.6% of Palestinian households are headed by women.<sup>5</sup>

## **4. Economic situation:**

The gross domestic product (GDP) in 2017 rose to 3.2%<sup>6</sup>. The economic activity in the construction sector was 4.4% and the total labor force rose to 18%, followed by the industrial sector, which rose to 4.2% and its labor force to 7%. There was also a rise in the number of workers within the Green Line which reached 11.4% in 2017. The agricultural sector accounted for about 3%.

## **5. Social situation:**

The Palestinian government announced the implementation of the social security law issued in 2018, which applies to workers and employees in the private and civil sector. Although it was prepared in order to provide a system of social protection, but this led to the refusal of workers and employees to implement the law under its current terms and demanded to make adjustments to several items contained therein in accordance with the provision of a decent life for workers, especially those with low incomes.

A large-scale street rally was held protesting and rejecting the law and its implementation during which a dialogue was called for by all parties to look into all legal comments and remarks presented to ensure a decent life for workers and employees.

On the other hand, social phenomena such as crime, the spread of drugs, the high number of nurseries for drugs in the West Bank which reached 40 nurseries in 2018, and the increase in the number of addicts, particularly among young people, have increased in recent years due to social and economic causes, especially poverty and unemployment. According to the National

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<sup>4</sup> *Results of the general census of population and housing for 2017, the Palestinian Central Bureau of Statistics.*

<sup>5</sup> *Palestinian Central Bureau of Statistics website, Awad's reviews on the reality of Palestinian women on the eve of International Women's Day, 8/3/2018*

<sup>6</sup> Palestinian Central Bureau of Statistics (PCBS)

Institute of the Palestinian Ministry of Health for the year 2017, the addicts reached about 26,500 persons in the West Bank and Gaza Strip.

#### **6. Poverty and unemployment:**

In 2018, unemployment rate reached 30% in the first quarter according to the Palestinian Central Bureau of Statistics, where the number of unemployed reached 404,800 people; 255,000 in the Gaza Strip compared to 149,800 in the West Bank. Data indicates that the unemployment rate between the West Bank and the Gaza Strip remains very high, with 49.1% in the Gaza Strip, compared to 18.3% in the West Bank, and 25.0% for males and 48.9% for females.

Unemployment rate among graduates (diploma or higher degree) is estimated at 55%. Unemployment rate rose to 28.5% in 2017.

With regard to the participation of women in the Palestinian labor force, it reached 19% of the total female labor force in 2017, compared to 10% in 2001. The participation rate of males in the labor force was 71%.

There is also a wage gap between males and females. The average daily wage for females was 84 NIS compared to 120 for males.<sup>7</sup>

The findings of a Palestinian survey revealed that the percentage of poverty in the West Bank reached 13.9%, while the percentage reached 53.0% in the Gaza Strip, which is more than half of the population and four times the poverty rate in the West Bank. The percentage of extremely poor people in the West Bank was 5.8%, while in the Gaza Strip it reached 33.8%, which is six times higher than the West Bank.

There is a clear correlation between unemployment and poverty. The higher the unemployment rate, the higher the poverty rate. The reason for the rise in unemployment and poverty in Gaza is due to the siege imposed on the Gaza Strip since 2007 and the war which caused great destruction in all fields.

#### **7. Women's participation in public life:**

The percentage of women who are members of local councils was 21% compared to 79% for males. 33% of females are lawyer practitioners while 67% are males. In 2016, there was 18% women as public prosecution members, 6% women as ambassadors, 32% engineers and 12% are members of the student councils at universities.

In the civil service sector, 42% of the employees are female, 11% as director general and higher positions.

#### **8. Food security:**

According to the UN Office for the Coordination of Humanitarian Affairs (OCHA), approximately 1.6 million Palestinians in the oPt, or 31.5 % of households, suffer from food insecurity (end of 2017). This is due to high unemployment, low household incomes and rising living costs. The first two factors are the result of long-term conflict, recurrent shocks, and persistent restrictions on freedom of movement, restricted productive capacities and lack of economic opportunities. Despite the availability of food, the price is not accessible to many.

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<sup>7</sup> *Palestinian Central Bureau of Statistics website , Awad reviews on the reality of Palestinian women on the eve of International Women's Day, 8/3/2018*

Many families face food insecurity, although they have already received food and other assistance.

This reflects the lack of interest in the agricultural sector and the increase in its productivity specifically, in addition to the absence of policies governing the markets, especially the rise of imported Israeli and foreign food products and the rise in prices in spite of the low rate of wages.

## **IV. Objective & Methodology**

### **1. Objectives of the study**

- Identifying the concept of the social enterprises' role in Palestine
- Analyzing the legal framework of social enterprises being a social profit enterprise
- Finding a clear concept and definition for social enterprises and adapting it within all legislative, executive and public levels
- Identifying the means and methods of public awareness about the concept and mechanism of organizing it in a legal framework

### **2. Methodology**

Accordingly and as stated in the ToR, New Vision consultant developed a comprehensive strategy to implement the Revising of the Legal Environment, Policies and Procedures in Palestine to Promote Social entrepreneurship in the Mediterranean Region. New Vision consultant used a multi- methodological approach to carry out the task, this included; Logical Framework Analysis (LFA), Participatory Rapid Assessment (PRA), and desk review to ensure that the stakeholders and beneficiaries are all involved in all aspects of the study.

The team carried out different tasks and utilized different tools to achieve the qualitative measures under this assignment, utilize different quantitative and qualitative tools to generate information to be able to identify the current practices in the macro and micro levels. The consultant started by reviewing the documents related to the project, conducted interviews, site visits, guideline questions and other tools as appropriate.

#### **The following methods and tools utilized in conducting this task:**

The study approach was developed and implemented as presented below (including brief description of proposed activities):

#### **1. Desk Phase**

##### **Inception**

In the inception stage of the Desk Phase, the relevant programming documents were reviewed, as well as documents shaping the wider strategy/policy framework. The team then analysed the logical framework(s).

##### **Finalisation**

In the finalisation stage of the Desk Phase, the consultant carried out the following tasks:

- NGO laws
- Company Laws
- Labour Law
- Other relevant Laws

- Social Enterprises & Business Environment Study- Palestine, SEC
- Synthesis Report: Formulation Mission and Mapping: support to Social Business Ecosystems in the Southern Mediterranean Countries.
- Notes on social Enterprises and Social Economy for the Working Groups
- Review SESO Needs assessment- Euclid Network.
- Review Capacity Building Workshops for SESOs
- Needs Assessment of Social Enterprises- Palestine- Professional Sky
- Development of the data collection tools required for the study

## 2. Field Mission/Phase

The Field Phase started directly after the inception phase and reviewing the documents by all parties. The team:

- Submitted detailed work plan with an indicative list of organisations (either contractors or partner organisations) to be visited, people to be interviewed, surveys to be undertaken, dates of visits, and name of team members in charge. The plan was applied in a way that is flexible enough to accommodate for any last-minute difficulties in the field or if any significant deviation from the agreed work plan or schedule occurred.
- Ensured adequate contact and consultation with, and involvement of, the different stakeholders; working closely with the relevant parties and individuals related to the scope of work. Used the most reliable and appropriate sources of information and harmonised data from different sources to allow ready interpretation.
- Summarised its field works at the end of the field phase, discussed the reliability and coverage of data collection, and presented its preliminary findings in a meeting with the programme management.

The consultant conducted semi structured interviews with the following (Annex attached):

- PARC Relevant project manager and staff
- Relevant ministries' representatives
- Network representative
- NGO unions
- Social activists
- Other Local stakeholders
- Other key informative people

### Focus Groups:

The consultant was planning to conduct focus groups discussions which will help to know more about social enterprises, indicators, success factors, management of the project and other relevant issues. The aim of the focus groups was to generate information and to highlight the main issues that should be covered by the consultant. The focus groups was done earlier by the first consultant Sky Professionals for the social enterprises and the support organizations which hindered us from including focus groups in our methodology however, focusing more on the interviews and readings and utilized the information gathered in phase one.

### 3. Desk Synthesis Phase

The consultants made sure that:

- Their assessments are objective and balanced, affirmations accurate and verifiable, and recommendations realistic.
- When drafting the report, the consultant acknowledge clearly where changes in the desired direction are known to be already taking place, in order to avoid misleading readers and causing unnecessary irritation or offence.

If PARC project manager considers the draft report of sufficient quality, it will be circulated for comments to the reference group members, and convene a meeting in the presence of the team.

On the basis of comments expressed by the partner organizations, and collected by the manager, the team will amend and revise the draft report.

The draft Report Structure will include the following:

- Executive Summary
- Introduction
- Context
- Objective & Methodology
- Key Findings
- Conclusions
- Recommendations
- Annexes

### 4. Constraints and limitations:

The complex and evolving political situation in Palestine poses a number of challenges to the organization of the study, especially at the level of terminology and the environment of social enterprises.

The topic “Social Enterprises” is not widely known to people under such a name therefore, part of our mission was to explain, promote and disseminate information to the people to understand what it is about.

**Organizing and timing of the field phase:** It is worth mentioning that the timing and deliverables have been altered and are not according to the plan since there was a delay in the whole process. The documents received and the definition of social enterprises and the report of the consultant was received after signing the contract. We had started making the needed preparations but we couldn’t actually start the process prior to knowing what was done in the first phase to avoid or at least minimize any duplications in this regard. Accordingly, the plan of execution was delayed and postponed for around 10 days.



## **V. Key Findings:**

### **1. The concept and reality of social enterprises in Palestine:**

According to above terms it is difficult to identify the social enterprises in Palestine, because of the dominant legal conditions which differ from those prevailing in the countries worldwide, especially in Europe, due to the multiplicity of laws on one hand, and the multiplicity of authorities and governmental authorities (non-profit companies refer to the Ministry of Economy and the Ministry of Interior, Cooperatives relate to the Government Welfare Association, NGOs and charity institutions refer to the Ministry of the Interior) on the other hand, in addition to the Legislative Council's failure to regulate its legal framework and weak social awareness and knowledge of the importance and role of the enterprises.

The SEC study indicated that the most important needs of the social enterprises are:

1. Identify a broad concept of social enterprises in Palestine and their importance in terms of vision and identity.
2. Increase interest in social enterprises and work on their expansion and sustainability.
3. Technical assistance in supporting feasibility studies and training of social projects.
4. Media campaigns, social awareness and advocacy campaigns in the local community.
5. Recognize the role played by the social enterprise.
6. Absence of enabling policies through partnerships with different social and economic sectors, and tax incentives.

Social enterprises in Palestine played an important and vital role in various fields due to the Israeli occupation and its domination and control over the resources of the Palestinian society to limit the Palestinian development and strengthen their own role. Therefore, the spirit of serving the community and focusing on the Social impact of the projects targeting women, children and other marginalized target groups was a major issue in the Palestinian community.

However, the Palestinian social enterprises are still not clear, and are a mixture of several types of social enterprises/institutions, because of the multiplicity of laws regulating their work. In fact, it is subject to three basic laws: the Palestinian Cooperation Law of 2017, The Non-government Organizations Law for 2000 and Non-profit companies Law for 2012.

According to a study carried out by the Small Enterprise Center (SEC) in 2017 on social projects and the working environment in Palestine, the number of registered social enterprises based on a wide definition of SE, was 2318 which can be classified into:

1. Cooperatives, estimated at 667 associations, operate in various sectors of agriculture, crafts, housing, savings and credit. Many of the cooperatives are facing difficulties in sustaining the cooperative.
2. Social enterprises, estimated at about 1350 associations, operate as traditional associations that work on implementing service projects for poor groups such as the Patient Friends Society and InAsh Al Usra Association.

3. Non-profit companies, estimated at about 301, and they carry out economic projects which do business activities but are linked to social goals.

It should be noted that Zakat committees in the country operate under the supervision of the Ministry of Al Awqaf and provide services to the poor and the needy and implement income-generating projects whether productive or service. However, no law or regulation has been issued by the competent authorities but lie under their monitoring and supervision and follow up of its programs, activities and projects.

Trade Unions are a main source to establish Social Enterprises worldwide, but not in Palestine since they are very weak financially, administratively and have weak governance, therefore in Palestine Trade Unions within its current status will not be a major player in Social Enterprises market.

In our search of social enterprises in Palestine, we can conclude that these can be considered as very close types of social enterprises although it doesn't match 100% with the EU SE definition in most cases, mainly due to the issue of profit which is distributed to shareholders but not reinvested in the business to generate social impact although part of the profit might be invested in the project.

The following are the five different legal forms of organizations /companies that are quite close to the definition of Social enterprise:

**1. Non Profit Company:** This legal model has been introduced to the Palestinian economy and community in the last 10 years as a form of social organization that has a social, economic, health, development, research, human rights and other community needs issues. This nonprofit company has been established to fulfill its mission without making profit and if profit was generated it is not distributed among shareholders but the profit is reinvested in the company to provide social services and impact in the same field the nonprofit company was established for.

Most of the Palestinian Non Profit companies are very similar to the NGOs in their structure, mission, values and so on. However, people register their companies as a nonprofit company because it is much easier than the NGOs, they require less founders, Chairman of the board and general manager can be the same person and is a norm of this kind of business that the general manager and the founder can generate a salary as working for the nonprofit and so many other issues that made the nonprofit company more popular as a form of an organization with a social and community service mission. Most of these non-profit companies were not doing any business and they didn't generate profits.

Currently the PNA government is putting on hold this law and doesn't register any company under this law. The organizations registered under this law are under continuous monitoring and supervision in terms of funds and their operation. It is worth mentioning that if matters continue in this direction many of the nonprofit companies will close down due to many obstacles and restrictions imposed on this kind of organization and mainly towards the donations and fund received from donors.

This kind of legal entity can be the best module for the social enterprises since it fulfills the conditions of the social enterprises mentioned earlier. Where is the dilemma in this module?

Palestinian activists, professionals, educated people, academic and other segments that establish the nonprofit companies are people with high education level, experience in the civil society who have a good track record in delivering different kinds of services and products to marginalized communities. Most people establishing this module are working as volunteers for

the nonprofit company and they don't invest their own money in such companies, they register it as a nonprofit company with an NGO spirit but through the nonprofit company law, but the aim is never to do business or to make investment or to generate profit. So the culture of the nonprofit company is an NGO culture rather than private sector culture.

In most cases the founders will form this kind of organization and they will invest in the company initial capital from their own resources or from organizations they are representing or from grants from the donors to establish such non-profit companies. When the founders invest from their own pocket in this kind of organization usually the amount is the minimum amount needed to establish such a company, because the people who form such a nonprofit company are from the civil society activists and they are middle class people and they can't afford to invest their savings in such companies which is considered as a development organization rather than an investment.

**2. Non- profit Organization NGO:** is another legal form of the organization which was present in Palestine tens of years ago and many NGOs/charity societies were established before Israel occupied Palestine and therefore this form was very popular as a way for people to volunteer and to deliver different kinds of services and products to women, youth, children, senior citizens, people with special needs and so on.

The NGO sector depends on the local people donations and on the international donors community to provide services and products. Many of the old NGOs managed to develop their own income generating projects to help the sustainability of these NGOs.

The Ministry of Interior monitors the progress and the operations of the NGO and now the situation is becoming more difficult for NGOs to continue work due to lack of funding, political division between Fateh and Hamas, so more restrictions are imposed by the government on the NGO sector.

This is the most popular form of civil society organizations established to serve a community need in different sectors and this is known as an old tradition within the Palestinian society since there are many organizations that were formed before the Israeli occupation to Palestine and they were able to continue providing services to the community all over the past years. All members NGOs are volunteers and none of the board members can work for the society for salary. This kind of organization is the most popular and spread all over Palestine. The NGO funds are generated from the local community or from donors or from the income generation projects that the NGO established, and usually these projects are donations from donors or from wealthy individuals or from private sector companies.

Some of the income generation projects are registered as an independent entity as a company such as Al Reef company that is owned by PARC (the profile is attached in the annexes), or as one of the old NGOs InAsh Al Usra with its diversified operation, production, emergency services, development, education, women capacity building and other issues. Inash Al Usra is an NGO which has all its income generation projects to be under the NGO itself (the profile is attached in the annexes).

**3.Cooperatives:** this is a third legal entity that is considered as a social enterprise and many cooperatives were found in rural areas and work in the agricultural sector, but most of them are

not functioning as they should, due to the political and economic situation, too many people are involved in the decision making and this usually complicates things.

Cooperatives are now under a new agency which was established to support this sector and to build their capacities to be able to produce better services to its constitutions and shareholders.

Many cooperatives are making profit, and part of this profit is reinvested in the project and the rest to be distributed among the shareholders.

Cooperatives are considered the closest form of the SE, since people are investing their money, they are trying to solve a community problem in an innovative way and being efficient in utilizing the resources to produce services or products to the community and at the same time to generate profit. (The profile of such cooperative is attached in the annexes).

The people who are forming such cooperatives are people coming from the same target group and they all have the same level of income and they all share the same objective and interest to form such a cooperative. In Palestine, cooperative sector is not very successful due to many reasons among of which are funding, organizational capabilities of members and the cooperative as an organization, lack of government support and many other reasons. Many of the cooperatives focus on agriculture production, credit and housing as the main sectors for the cooperatives. The main objective of the cooperative is to serve its members and usually the members are women, middle class people who want to do a housing project, farmers, youth and other targets of the community have the same interest, similar capabilities in terms of investment and willingness to volunteer and to work together. The cooperative serves the interest of the members and by doing so, it serves the interest of the community on a higher scale. The more successful the cooperative sector is, the better the marginalized and vulnerable people who are the main target of the cooperative and the community are.

**4.Zakat Committee:** this is a legal form that is regulated by the Ministry of Al Awqaf to manage, invest and give away the money the committees collect from the people since this is part of the Islamic religion in order to donate part of your income to people in need. People will donate prior to Al Adha and Fitr Eid so that the committees can support the people in need.

Some of these committees own big income generation projects such as factories, schools, medical centers and many other things. The people working as a board of the committee are volunteers but many other people are working for salaries in these projects. Profit generated will be invested again or given as a support to the community in different forms.

The committee is a voluntary committee responsible for the utilization of the money Moslems give to the committee as part of their religious fulfillment of Islamic religion known as Zakat to pay annually a certain percentage of their income to these committees which will forward the money to the needy people or to do certain projects such as medical centers, income generating projects to finance the poor and marginalized people and others.

The Committees' bylaws are driven by the Ministry and they act according to the Ministry rules and regulations. All the income donated by the people or from income generated projects are reinvested or disbursed to poor people in all Palestine. The committees are formulated by a decision of the Ministry.

**5.Private sector for Profit Company:** This is a legal entity as a company and there are different kinds of companies but the main objective of its establishment is to generate profit. Many SE in the world are adding a social dimension in addition to making profit. Some of these companies are called fair trade, meaning people have to be fair with everybody customers, staff, shareholders etc.

In general people know that companies are established to make money and now there is another pillar which is to generate profit but also to serve community needs.

The private sector companies for profit are financed by the owners and they will also be financed by banks if they were able to provide collaterals to guarantee the loan they are receiving from the bank and usually the collaterals are 100% of the amount of the loan. In most cases private sector companies are not receiving any kind of grants from donors except in very narrow sectors depending on the kind of programs promoted by the donors.

Recently many public shareholding companies and even limited liability companies have been allocating a certain amount of its profit for what is called social responsibility and they invest or donate the amount in the best interest of the target groups they identify. Samples of these companies are Bank of Palestine which allocates 3% of its net profit for the social responsibility as part of Bank contribution to the community. PALTEL the telecommunication company has established an NGO to manage the amount that PALTEL is donating to the NGO on annual basis to serve the community needs in the technology sector youth and other target groups. (The PALTEL NGO profile is attached in the annexes).

## 2. Legal environment, Policies and Regulations

**This part addresses the Palestinian laws and its effect on social enterprises with the following criteria:**

- The availability of incentives like tax exemptions for social enterprises such as developmental and charity institutions
- Facilitation of registration procedures
- Government support in purchasing its services and products to ensure its sustainability and improve its services
- Income-generating enterprises for social enterprises in terms of type of products and services, their economic and social feasibility and sources of funding
- Government policies towards social enterprises and the reflection of politics on its performance.

Light will be shed on the laws that are directly or indirectly related to the social enterprises and to what extent there are legislations and regulations that contribute to the development of social enterprises. The most important laws are:

### **Related laws of social enterprises**

- Law of Zakat Committees
  - Value Added Tax Law
  - Law of Crafts and Industries
  - Jordanian Companies Law of 1964, Palestinian Companies Law of 2008, Commercial Companies Law for the year 2012
  - Nonprofit companies' law for the year 2012
  - Charity associations' law for the year 2000
  - Palestinian labor law No. 7 for the year 2000
  - Cooperative law for the year 2017
  - Income Tax Law for the year 2011
- **Jordanian Companies Law of 1964: (in effect till now)**  
The law addresses the types of commercial companies and the conditions and procedures of registration and liquidation, as well as the functions of the boards of directors of public shareholding companies and the functions of public bodies.

It is clear from the law that there is no mentioning of the social role of companies, including donations or the allocation of part of the profits to social projects and the registration of accounts and compulsory reserve.

Articles 179 and 180 dealt with deducting part of the profits to cover the obligations of the Company under the Labor Law. These deductions are part of the general expenses for income tax purposes. The law also authorized the establishment of a special fund to assist the workers of the company.

- **Palestinian Corporations Law 2008:**

In Article 10, the law authorizes the registration of profit-making companies, but also the realization of a public interest. It has its own tax transactions. It has a special register with the register of companies and defines its purposes and monitors its funding sources and expenses.

Article 219 under the Special Reserve Law stipulates that 1% of net annual profits shall be allocated for the purpose of supporting scientific research and vocational training.

Article 220 states that "the Company may establish a Staff Provident Fund with independent management under a special regulation issued by the Board of Directors of the Company".

- **Commercial company Law No. 7 of 2012 Project:**

The Commercial company Law No. 7 of 2012 project was issued (Expected to be validated with the beginning of 2019) to regulate the work of companies in Palestine in all its forms, in terms of the conditions for establishment, procedures of registration and management of accounts, as well as the procedures for liquidation.

1. The law does not directly address corporate social responsibility. Article 173, No. 1, paragraph D, concerning private limited liability companies, states that "in the case of donations during the fiscal year, the value of the donations and the bodies donated shall be disclosed."

2. Article 234 of the Law stipulates that the Company shall allocate 1% of its annual net profits for the purposes of public benefit.

But the law did not specify the types of expenditure for the public benefit, and their association with the social role of companies, so expenditure could be towards sports or art institutions.

The absence of any incentives for private companies to support community institutions such as tax exemption, as well as directing companies to focus on purchasing their needs from income-generating projects' products managed by social enterprises. Therefore, companies sometimes donate to projects that serve their own interests, including advertising campaigns and publicity.

- **Non-profit companies System for the year 2012:**

Based on the review of the Non-Profit Companies Law (Cabinet Decision No. 3 of 2010 on the Non-Profit Companies Law) which included materials related to organizing the work of these companies in terms of registration procedures, the most important of which are:

1. The aim of the non-profit company in accordance with Article 3 of the Law (providing social, economic, cultural, civil, developmental services or other activities) is to improve the social, health, professional, artistic, sport, cultural or educational level of citizens, without aiming to achieve profit, and even if achieved returns, it may not be distributed to shareholders).

2. The use of the revenues in developing the activities of the company and increasing its capital as stated in Article 8 of the system that (any net returns achieved by the company is considered a saving that may be used only to achieve its goals and objectives for which it was established and to expand its activities and increase its capital. None of its net revenues may be distributed directly or indirectly to any of the shareholders).

3. The system grants the non-profit company the right to establish income-generating projects, provided that its revenues are used in the activities of the association according to article 11 of

the system that (the company's right to set up activities and establish income-generating projects, provided that its revenues are used to achieve its objectives)

4. The system of the company has the right to receive donations and unconditional funding from foreign sources. However, the Cabinet issued an amendment to this article in 2015, which added (obtaining prior approval of the Cabinet to accept donations, aids and funds provided the objectives are clear). According to the researcher Issam Abdeen of Al-Haq, "this amendment to strengthen government intervention in non-profit companies and civil institutions, knowing that all is subject to the control of the Office of Administrative and Financial Control"<sup>8</sup>.

Based on the above:

1. The system did not specify clearly that they are social enterprises that engage in economic, commercial or service activities for the purpose of making a profit to provide social and humanitarian services to the local community. As a non-profit company, it is possible to practice economic activities or not, so that the system is too close to the law of charities for the year 2000.

2. According to the internal bylaws of the non-profit company and the system in force for 2010: The law was not exposed to tax exemption for the equipment used in the company or exempted their products from the value added tax to increase their products in the local market.

3. Dealing with employees according to the Palestinian labor law and collect income tax from their salaries as other companies and institutions.

- **Law of Charity Associations and NGOs 2000.**

The law was issued after the approval of the Legislative Council on May 25, 1999 and ratified by the President on 16/1/2000, after reviewing the laws in force in the Gaza Strip and the West Bank to unify the laws in the Palestinian territories.

The law focused on registration, management, financial resources and liquidation procedures. However, the law did not deal with companies with social dimensions, and dealt with the issue of associations in general. The following are the most important issues related to managing income-generating projects with the associations:

1. According to article 2 of the law, civil activity is defined as: Any voluntary or optional social, economic, cultural, civil, developmental or other service or activity and which will improve the well-being of citizens in society in terms of social, health, professional, materialistic, spiritual, artistic, sports, cultural or educational aspects.

2. Article (14) of the tax exemption law for associations states: "Associations and communities shall be exempted from taxes and customs on fixed and current assets necessary for the implementation of their objectives set forth in their statutes, provided they are not used for less than five years for purposes contrary to their objectives unless taxes and customs are paid.

3. Associations shall have the right to establish income-generating projects provided that the income earned is used to cover their activities for the benefit of the public interest.

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<sup>8</sup> amendments of the system of non-profit companies and their relationship with civil organizations, Al-Haq, 2015



In accordance with the Executive Regulation of the Cabinet No. 9 of 2003, the Association has been defined as: an independent legal personality established by agreement between at least seven persons having legitimate objectives of public interest solely. The term "public interest" means that the association aims to serve a certain social or professional group or segment. Associations include the civil society, the charitable society and the non-governmental organizations.

This definition has led to the expansion of the concept of civil associations and institutions, so that it is difficult to distinguish between their types and forms in terms of the legal framework and / or goals sought to be achieved.

Article (3) of Regulation No. (1) stressed: Associations may not carry out profitable activities for the purpose of sharing among members.

Article (50) of the Regulations (Financial Affairs) of the Executive Regulations Article (1) grants the right to the Association to "carry out profitable activities, provided that profits are not distributed to members and are stated in their financial reports."<sup>9</sup>

Based on the above, the law and executive regulations state that:

1. The concept of charities and civil institutions is a (general concept) linked to charitable work and community service. It did not address the social enterprises specifically.
2. Granting incentives to associations, such as tax and customs exemptions, for fixed and current assets, in order to help them achieve their objectives. As a charity, not as a social enterprise.
3. The law and regulations gave the right to associations to set up income-generating projects, but at the same time they did not grant moral and material privileges and incentives (such as services fees or the promotion of purchase of products or services).
4. The law did not deal with the exemption of associations from fees related to government licenses or discounts for water, electricity and other services for the social services provided to society.

It appears that the law of associations is subject to multiple references, in line with the political authority. The West Bank was subject to the Jordanian law of associations in 1966 and in Gaza during the period of Egyptian rule of the Ottoman law of 1907. During the Israeli occupation, the associations were subject to military orders and civil administration decisions. After the establishment of the National Authority, the law of associations was unified in both the West Bank and the Gaza Strip. However, after the internal divide, each authority made amendments in line with its policy and strengthened its authority over each of them.

- **Labor Law No. 7 of 2000:**

The law was prepared after reviewing Law No. 21 of 1960 applicable in the West Bank and Law No. 16 of 1964 applicable in Gaza.

The law addressed the relationship between the employer and the employee in the private and civic sectors, especially with regard to employment and vocational training, individual and

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<sup>9</sup> Source: Palestinian NGO Development Center, *Guide on the Law of Charity Associations and NGOs*, 2015.

collective contracts and work conditions. In addition to holidays and wages, and several other rights, the most important of which are:

1. The right to form trade unions to defend their rights, according to Article 5.
2. The employer's obligation to pay the minimum wage for the worker regardless of the type of work.
3. The right to strike to defend their interests.
4. Daily working hours is 8 hours, with an hour break, and more than 5 continuous working hours is forbidden.
5. Granting the worker annual leave for two weeks, 3 weeks in hazardous work and for those having been for more than 5 years at the same establishment. In addition to the Hajj vacation for two paid weeks and 14 paid days as sick leave.
6. Providing personal and professional protection, prevention of work hazards, conditions of public health and first aid, and periodic medical checkups for workers.
7. The law prohibits the employment of children under the age of 15 according to article 93 of the law.
8. Employing women and non-discrimination between men and women according to Article 100 of the law.
9. The law prohibits the employment of women for overtime hours especially during the night.
10. The right for ten paid weeks as maternity leave, including at least 6 weeks after childbirth having worked for 180 working days and an hour of breastfeeding every day for a whole paid year.
11. Work insurance and paying the injured 75% of his/her monthly salary for 6 months if the injury prevented him/her from performing his work. In the case of total disability due to the injury or injury leads to death, cash compensation is compulsory.

- **The Palestinian Cooperatives' Law of 2017:**

The law deals with the objectives and scope of its application and the organizational structure, the mechanisms of registration of associations, and the conditions of membership and management of associations.

The law clearly states in Article No. 15 of the law of item no. 1 *that the cooperative society is a social economic institution and the cooperative society is defined as a social economic institution founded by (15) voluntary members who are connected to meet their common needs and aspirations through their own contributions, joint ownership, management and their democratic monitoring and exercise its activities in its legal capacity.*

Article 17 of the law also exempted cooperative societies from customs stating “Sectorial associations and the General Federation shall be exempted from taxes and customs as well as any registration fees on fixed and current property necessary for the implementation of the objectives set out in its internal bylaws provided that they are not used for less than five years.”

Article 47 allocated 5% for local social development as a contribution from the Association so the net surplus resulting from the activity of the association will be distributed at the end of the

fiscal year after coverage of the deficit, the deduction of expenses and the depreciation of the assets, as follows:

1. At least 21% per annum shall be allocated to the formation of the statutory reserve.
2. No more than 21% shall be allocated as annual shares.
3. 5% shall be allocated for local community development.
4. 5% shall be allocated for the Cooperative Development Fund.
5. The General Assembly shall decide on the remuneration of the members of the Management Committee by a percentage not exceeding (11)% of the net profits.
6. The rest of the net surplus achieved by the members shall be distributed in proportion to their dealings with the Association.

According to article 50 of the law , it also allows associations to set up funds to finance lending, social, health and cultural activities.

Based on the above, a cooperative society is clearly a socio-economic institution (but not a system of non-profit companies). It relies on cooperative thought, teamwork and utilization of the resources available to establish productive projects that are of benefit to members.

- **Income Tax Law 2011:**

Income Tax Law No. 8 of 2011 exempts charities, cooperatives, Zakat committees, non-profit companies, trade unions and professional associations from non-profit work, and does not affect the competitiveness of the private sector. In case of any profit, they are treated as public shareholding companies according to article 7 of the law.

The law also exempts donors from any donations made to charities stating “Donations paid to the institutions of the Authority, Zakat Fund or charity and non-profit organizations which are officially registered in Palestine are exempt, provided that they do not exceed 20% of the income and are proven by official receipts.”

This indicates that the income tax law has helped to reduce the financial burden on charity and non-profit institutions, in addition to encouraging taxpayers to donate to these institutions to enhance sources of income and financial resources.

But the law does not deal with these institutions as economic companies with social dimensions, because of the lack of its definition in Palestinian laws.

- **Zakat Committees laws:**

No Palestinian law or regulation has been issued to regulate the zakat committees and clarify its objectives and mandate. However, these committees carry out their duties according to the Islamic Shari'a. They work on raising funds from zakat and ongoing charity funds and disbursing them to the poor and the needy.

Zakat committees have implemented some service projects such as hospitals and medical clinics to provide health services to the poor for a small fee, in addition to establishing rehabilitation projects and providing production tools for poor families to help them provide income sources that reduce the level of poverty such as land reclamation projects and farms for poultry, cattle and bees, Al-Safa Dairy Production in Nablus, which contributes to providing

jobs for farmers and graduates.

Zakat committees rely on financial and in-kind donations to carry out their activities and programs, and do not rely on productive projects that make profit to provide social services.

### **3. Social Enterprises Public Awareness (Outreach)**

Community awareness is an important element in the process of social change, because it is linked to knowledge and concepts related to the culture of society. This requires working within an integrated circle that begins with the definition of concepts and social agreement, and approval of government laws and regulations.

Therefore, the process of community awareness about the concept of social enterprises requires a unified definition of all parties, identifying the message to be conveyed to the local community, as well as determining the parties to carry out this role, and the target groups and the appropriate awareness methods.

Regarding the social enterprise concept, the findings revealed the following:

1. Lack of knowledge of the concept both at the level of institutions or the level of individuals, where the impression among the various parties that the "enterprise" which is a profit company, is not linked to any social goal. And that social work is limited to associations and civil institutions.
2. Absence of a clear official reference to the socio-economic work and the multiplicity of government agencies concerned with the supervision of socio-economic work. These agencies include the Ministry of Interior regarding the licensing of charity association, the Welfare Authority for the licensing of cooperatives, the Ministry of Economy for licensing non-profit companies and the Ministry of Social Development for charity associations, and the Ministry of Awqaf to supervise the committees of Zakah. This reflected on having a clear definition and specific reference for such types of companies, but conflict in the roles and functions of social enterprises / institutions in a clear and specific manner.
3. Absence of knowledge and awareness among the social enterprises themselves as a social society. It was found that the culture of institutions, both at the level of managers and employees, operate according to concepts and definitions listed in government laws and regulations.
4. Weakness of the community culture regarding social enterprises and their socio-economic roles. The community culture is linked to regarding them as associations and non-profit organizations that receive external support and do not need support for their products and services. This is, in addition to the fact that there is no trust in the quality of their services and products as well as the weak management of these institutions in terms of adherence to the principles and rules of good governance and principles of disclosure and transparency.

#### **• Proposed Action Plan for the Community Outreach Program:**

Based on the above, community awareness about social enterprises / institutions requires:

##### **1. Defining a clear concept and definition of social enterprises:**

It is very important to start by agreeing on a clear and specific concept of social enterprises / institutions among all the governmental, civic and private sectors. The definition should include the enterprise and its social and economic objectives, characteristics, and to focus on commitment to good governance and principles of governance and transparency.

##### **2. Forming a coalition of different stakeholders (as a lobbying group):**

Work on advocacy and lobby to explain the concept and its definition among different social groups and different sectors. As well as contributing to the development of national plans, programs and projects, including plans for the preparation of appropriate laws and programs for community awareness,

**3. Identifying the target groups of the community awareness** about the concept, targeting the following:

- **The competent government ministries:** to agree on the definition of the social enterprises / institutions, from the legal side, as well as lobbying to develop subsidy policies, especially with respect to taxes and facilitate registration procedures, support products of corporate services and ensure support and funding of the internal and external funding agencies.
- **Social enterprises/ institutions:** to introduce their economic and social identity and distinguish them from the private profit companies, as well as charities that rely on donations and assistance to provide their social services, and management requirements for such enterprises / institutions on economic, commercial and social bases and how to present itself to society in accordance with this concept.
- **Youth:** by targeting students of universities, sports clubs and youth institutions, as the backbone of the Palestinian society and more aware of and understanding of societal changes, in addition to their abilities and scientific and technological skills to establish SE.
- **Women and women's groups:** by targeting women's institutions and women's groups in different regions, especially those representing charities and cooperatives, with productive projects and social activities, and enhancing their role in awareness programs, as well as mothers' councils in schools and other women institutions.
- **Media representatives:** in various forms of electronic, radio and television media, as the media sector is one of the most influential sectors in public opinion, and the importance of their role in special programs by introducing the concept through the explanation and clarification of the concept and its characteristics and importance in social and economic development, which allows the media programs to contribute to the awareness of the community.
- **Local governmental units, municipalities and village councils in different communities:** Since they are elected community service institutions, they have the power of influencing the local public opinion, as well as benefiting from their capabilities in supporting social enterprises/institutions, particularly in marginalized areas.
- **Donors:** As supporting bodies for social enterprise/institutions, (local and foreign) in order to introduce them to such institutions and the importance of their role in social and economic development, and the programs required to be financed and supported economically and socially, especially in terms of building administrative and productive capacities, as well as contributing to their networking and supporting the marketing of their products in the local and external markets.

## Methods and means of awareness

It is suggested to carry out the awareness activities in accordance with the nature of the target group, its cultural and educational level, and the purpose of awareness programs. The following table shows the activities proposed for each category:

Target group	Objective	Awareness activities
Competent government ministries: Ministry of National Economy, Ministry of Labor, Ministry of Social Development, Ministry of Finance, Welfare Authority, NGO commission and other governmental organizations	<ol style="list-style-type: none"> <li>1. To agree on the definition of social enterprises/institutions, from the legal side</li> <li>2. To lobby for special subsidy policies especially taxes</li> <li>3. Facilitate registration procedures</li> <li>4. Support social enterprises' products</li> <li>5. Ensure the support and funding of internal and external donors</li> </ol>	<ol style="list-style-type: none"> <li>1. Intensive meetings.</li> <li>2. Hold a study workshop day for government agencies and representatives of social enterprise/institutions to come up with recommendations and suggestions, to reach a unified concept and to develop subsidy policies.</li> <li>3. Organize media and public events to lobby with the government to develop its policies towards such institutions.</li> </ol>
Social enterprises/institutions	<ol style="list-style-type: none"> <li>1. Define their economic and social identity and distinguish them from other types of institutions.</li> <li>2. Highlight their role in socio-economic development.</li> <li>3. Develop its administrative and technical performance and improve its services.</li> <li>4. Develop a network of Palestinian social enterprises to lobby, advocate and defend the objectives of these enterprises.</li> </ol>	<ol style="list-style-type: none"> <li>1. Specialized workshops.</li> <li>2. Field visits.</li> <li>3. Presentation of successful models of social enterprises/institutions.</li> <li>4. Presentation of the results of researches and studies related to its field of work.</li> <li>5. Form a union or network to organize the work of these enterprises through the opening of a dialogue between these companies to run their work.</li> <li>6. Join international SE networks to learn and exchange experience.</li> </ol>
Donors	<ol style="list-style-type: none"> <li>1. Introduce them to local social enterprises and the importance of their role in socio-economic development,</li> <li>2. Identify support programs to be financed and supported economically and socially especially in relation to building administrative and productive capacities.</li> <li>3. Networking and marketing their products in the local and</li> </ol>	<ol style="list-style-type: none"> <li>1. Hold extensive meetings with representatives of external donors as well as in the private sector.</li> <li>2. Organize field visits to social enterprises/institutions that have achieved success in this concept.</li> </ol>

	foreign markets.	
Youth Sector	<ol style="list-style-type: none"> <li>1. Definition of concept and its importance in socio-economic development.</li> <li>2. Benefiting from the establishment of such social enterprises/institutions.</li> <li>3. The youth role in supporting social enterprises /institutions is very important since they are the main target to establish the SE.</li> </ol>	<ol style="list-style-type: none"> <li>1. Adopt an academic program in universities.</li> <li>2. Use social networking sites to raise awareness and introduce the concept.</li> <li>3. Organize visits to social projects to view their services and products.</li> <li>4. Encourage youth voluntary in such social enterprises and train them.</li> <li>5. Workshops and lectures in universities, clubs and colleges to introduce the importance of the work of social enterprises.</li> </ol>
Women Sector	<ol style="list-style-type: none"> <li>1. Raising women's awareness about social enterprises/institutions as a key and effective component of society, whether through family, institutions or productive associations.</li> <li>2. Encourage and encourage women to play an important role in community awareness, whether in neighborhoods, schools or social institutions.</li> </ol>	<ol style="list-style-type: none"> <li>1. Meetings and workshops with women's organizations, associations and productive projects.</li> <li>2. Visits to sites in various clusters.</li> <li>3. Capacity building programs on the management of these institutions.</li> <li>4. Use social media and networking sites to present concepts and definition of such enterprises and display them on their own sites.</li> </ol>
Media representatives	<ol style="list-style-type: none"> <li>1. Define the concept, its importance, and characteristics.</li> <li>2. Highlight the importance of their role in preparing special programs to introduce the concept</li> <li>3. Encourage them to prepare media programs that contribute to the awareness of the community.</li> </ol>	<ol style="list-style-type: none"> <li>1. Holding meetings with representatives of the media.</li> <li>2. Provide them with publications for presentation and explanation in the media.</li> <li>3. Develop agreements with them to organize dialogue programs with local radio stations to introduce the concept and its importance with specialists from different quarters.</li> <li>4. Press release to introduce the concept at the public level and promote the role of successful social enterprises.</li> </ol>
Local government units, councils, municipalities and village councils in various	<ol style="list-style-type: none"> <li>1. Benefit from their capabilities in supporting social enterprises/institutions,</li> </ol>	<ol style="list-style-type: none"> <li>1. Hold meetings with representatives of local authorities to explain the</li> </ol>



<p>clusters</p>	<p>especially in marginalized areas.</p> <p>2. Encourage them to implement social projects as a service institution and to benefit from this concept in the implementation of projects of socio-economic feasibility.</p> <p>3. Coordinate with various social enterprises, especially schools, and also to explain to parents' committees to raise awareness about this concept.</p>	<p>concept.</p> <p>2. Provide successful examples of social enterprises and the role of agencies in supporting them and providing the required facilities.</p> <p>3. Explain the importance of their role in supporting the services and products of social enterprises/ institutions and the benefit achieved by the community.</p> <p>4. Define their role in convincing the community that these services and products are not free and encourage them to obtain them.</p>
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## VI. Conclusions

The conclusion of this study shows the absence of knowledge and awareness regarding the concept of social enterprises within all parties; governmental, supporting institutions, community institutions and the local community both in terms of governmental laws and regulations as well as in governmental policies and procedures, community culture and the role of supporting institutions operating in Palestine.

The conclusion of the study reveals that this type of enterprise is required in Palestine for the following reasons:

1. The reality of Palestine within the occupation, and the issue of refugees who need social care and service, especially that their problem still exists.
2. High unemployment rate among women and young graduates (41%) which is one of the highest in the world.
3. Establishing social solidarity and working to strengthen the social bonds in the country, while at the same time achieving an economic goal in providing products and services at low prices.

The conclusions were as follows:

### 1. Legal framework

- The findings showed that there are several laws regulating the work of social enterprises/ institutions, but they are not clear and are not defined in the framework of social enterprises, so there are many forms of laws, some of which are old as the Jordanian Companies' Law of 1964 which is still in force till now with some amendments and additions, especially with regard to non-profit companies and the preparation of a special bylaws which was done in 2010 and the freeze of non-profit companies in 2017.
- It has also been shown that some private shareholding companies operate according to the Companies Law and are registered as a private shareholding company that implements the concept of social responsibility through its work in accordance with the standards of fair trade, taking into account the social standards in its production. In contrast, some charity association rely on themselves for funding through managing income-generating productive projects such as InAsh Al Usra and the Women's Union.. etc.. . It operates under the Charities Law for the year 2000.
- The governmental laws and regulations for non-profit companies deal with income-generating economic projects of social dimensions, as private sector projects in terms of taxes and are not exempt from taxes since they are considered to be "competing with private sector enterprises only if they are distinctive and have no competitors." This has led to problems with the charity associations for productive income-generating projects with regard to taxes (whether they are exempted or not), especially as the tax authorities are demanding that they pay taxes since they have profits, whereas the association considers that profits are spent on social services for beneficiaries.
- The absence of a Palestinian law to regulate the work of the Zakat committees so far, which operates in accordance with the instructions of the Minister and the

internal regulations (bylaws), knowing that they are practicing economic activities and using their profits in social and health projects for the poor and orphans.

- Although the Charities Law allowed associations to set up income-generating projects and exempt them from taxes on fixed and current property in order to cover their expenses and improve their social services, they did not show any interest in the economic aspect of the association as social economic projects.
- Preparation of laws in the Palestinian National Authority based on the previous laws in force (such as the Jordanian law of 1966 and the Ottoman Egyptian law of 1907), which are not commensurate with developments in the Palestinian social and economic environment.
- It turns out that there is confusion in the laws and their lack of relevance to the social and economic agenda.
- Non-conformity of laws with international laws and conventions signed by the Palestinian National Authority after being accepted as a member of several UN organizations.
- The absence of the Palestinian legal environment in the development of legislation and laws as a result of political division, despite the issuance of laws by presidential decisions, but it needs to be ratified by the legislative Council later on.

## **2. Government policies**

- Adopting the national agenda (2017-2022) under the slogan of citizen first, and incorporating it into a positive social and economic agenda. However, it did not provide the tools (such as operational plans, monitoring and evaluation) and the funding required to implement them.
- The weakness of government incentives for products and services provided by community institutions, such as reducing fees, adopting their products and services in government tenders, opening markets to their products and providing the necessary facilities....etc.
- Long and bureaucratic licensing procedures, especially security approval for the registration of charities, on the basis of which the registration of associations is accepted and refused according to political reasons.

## **3. Capacity of social enterprises**

- Lack of knowledge of the concept of social enterprise in the community institutions working in this field. The focus is on the scope of the law (social or economic) and the goals and objectives of its work, without the ability to integrate the social and economic objective. In addition to the weakness of culture, awareness and knowledge of the concept at different levels in the institutions whether top management or executive, governing bodies and management, which reflected on their identity being a social or economic or both.
- Poor administrative and financial capabilities, lack of strategic plans, work systems and policies of transparency and disclosure.
- Poor human resources capacities working in these enterprises, especially with regard to the management of productive projects (such as administrative, financial, production and marketing capacities).

- Misuse of laws by some profit companies and charities in the use of external funds for private interests and projects, in addition to modifying their objectives in line with the terms of funding.
- Successful experiences of some models of economic projects with social dimensions such as Zakat committees for religious motivation, because of the national and historical reputation as InAsh Al Usra Association and others in income generating projects that have covered its expenses and improved its social services.

#### **4. Community culture**

- The community culture of social enterprises/institutions is regarded as offering free services or at low prices, which target poor and vulnerable people.
- Lack of social credibility in social enterprises due to the lack of disclosure and transparency and misuse of funding.
- Absence of full knowledge of the concept of social enterprise in the Palestinian society, because there is no clear law and is not circulated among official, non-official institutions and in media.
- Poor concern (attention) about the quality of products and services resulted in the loss of community trust in the products and services of social enterprises.
- Inability of the local community to distinguish between the roles of development institutions, between their relief and developmental role. They think the services are free because they are funded.
- Weakness of the culture of voluntary work, solidarity and social solidarity

#### **5. Funding**

- The weakness of external funding is a problem for the social enterprises as it threatens its sustainability, as a result of linking it to political conditions on one hand, and the emergence of other priorities in the region, such as Yemen and Syria are getting most of the funds. In addition to the lack of having income-generating projects.
- The weakness of the role of the private sector in supporting the productive projects of the social enterprises as funding social projects whether in funding the development of products and / or adopting their products in their purchases.
- Absence of compulsory laws for the private sector or the government to support and fund social projects. Private sector institutions (promotional/marketing and public shareholding companies) are currently funding such projects with special initiatives.
- Some of the private sector institutions tend to establish development associations, within the framework of their community responsibility (PaTel Group foundation) in determining the percentage of their profits in development, especially in the educational technology sector.
- The tightening of lending institutions in funding community projects due to the lack of any guarantees.
- Governmental approval for the introduction of external funds, and its monitoring, and the procedures required to obtain approval for their entry (especially donors as institutions or individuals), which is a source of inconvenience to donors. This limits donations and grants to social enterprises (all institutions: non-profit

organizations, zakat, Charities, ...) and allow their entry on condition that they are not used for illegal purposes (money laundering and harm to the security of the country).

## 6. Policies of SESO

The study showed that many institutions supporting the social enterprises, including the International Organizations such European Union, CARE International, Oxfam, etc., as well as local development institutions (PARC, SEC, Palestinian Center for Economic and Social ~~Development~~, Development, Welfare, ~~eteetc.~~ ...) fund social enterprises, each according to its sector of specialization and not within the concept of social enterprises.

These institutions seek to implement projects through cooperatives and / or charities and / or Zakat committees to solve the problem of poverty and unemployment and improve the income level of the Palestinian family.

However, most of these institutions do not work according to the concept of the social enterprise, some work in relief programs (such as the World Food Organization (FAO)) and some work within temporary projects whose sustainability is not guaranteed.

There are also several opinions and attitudes about the concept of social enterprises, some consider that they seek to make a profit as an investment company, but its project contributes to solving social, environmental and educational problems. For example, Welfare Association allocated 250 thousand ~~dollars~~ dollars' fund as a grant for youth pilot projects in social companies, as well as PalTel Group Foundation which support the technology sector with nearly 2% of the Group's profits.

Some supporting institutions work on:

- Preparation of studies, on the basis of finding community needs and also the support of community projects in general.
- Supporting small and medium-sized social enterprises as a strategic objective to support women's associations and groups in agricultural processing.
- Studies and research to develop policies of such enterprises.
- Cooperation and networking with institutions to support such enterprises.
- ~~Lobby of~~ Lobby of the government to endorse laws.
- Training and capacity building for productive projects with a social dimension.
- Preparation of economic plans and follow-up its implementation and address their problems to ensure sustainability.

## VII. Recommendations

### Definition:

**The social enterprise is a private profit enterprise that aims not only for profit but also to achieve community development and provide services and advice to address some social problems focusing on the environmental dimension and gender in an innovative way.**

**The profit generated is distributed to the owners and some percentage will be reinvested in the company when needed.**

In order to reach a clear concept of social enterprises, it is suggested to:

1. Hold a national conference to present concept papers to reformulate, clarify and define the concept.
2. Clarify the concept by raising public awareness.
3. Reflect the concept of social enterprises on laws and legislations and unify laws in line with the new definition.
4. Create a legal legislative environment to support the establishment of SEAw..

The following are the major recommendations under each topic:

#### **1. Community Awareness:**

- Launching awareness campaigns through institutions that support community projects and interact with the government regarding financial support and awareness to encourage social projects.
- Defining a clear concept and definition for social enterprises: The beginning requires agreement to define a clear and specific concept about the companies / community institutions among all parties from government and private sector, civic sector and supporting bodies. So that its definition includes the company and its social and economic objectives, and characteristics, with a focus on commitment to good governance and principles of governance and transparency.
- Forming a coalition of different stakeholders (as a lobbying group): to lobby for and explain the concept to different community groups and sectors. As well as contributing to the development of national plans, programs and projects, including plans for the preparation of appropriate laws and programs for community awareness.
- Dealing with the reality of the Palestinian social and economic environment as a maturing stage, politically and socially unstable, and therefore difficult to compare with the application of models of countries that have lived for hundreds of years and live in stable political, economic and social conditions.

#### **2. Social enterprise criteria:**

- Two goals for the social enterprise: economic goal (profit) and social goal (providing social service or contribute to solving a problem or social crisis) in an innovative manner.
- Its structure, methodology and management are open and there is transparency in management and is not a monopoly of anyone.

- Adhering to product specifications in terms of quality and reliability, to run companies with economic management and to benefit from social dimensions.
- Democratic management and elections, and governance and transparency standards for social enterprises.
- Promote teamwork and volunteerism in social enterprises.
- Provide clear plans to contribute to community development through clear social objectives within a strategic vision.
- Focus on productive income-generating projects for self-reliance in funding their services and products, and also to ensure their sustainability and to minimize the dependence on external funding.
- Availability of continuity and sustainability and not temporary operation.
- Contribute to the development of the targeted economic sectors.
- The distribution of fair profits so that the owners can benefit from it and in some times profits will be reinvested in developing and providing services and products.
- The availability of incentives like tax exemptions for social enterprises such as developmental and charity institutions.
- Facilitate registration procedures.
- Government support to the purchase of SE services and products to ensure its sustainability and improve its services.
- Income-generating enterprises for social enterprises in terms of type of products and services, their economic and social feasibility and sources of funding.
- Government policies towards social enterprises and the reflection of politics on its performance.
- Municipalities, Village Councils and Joint Service Councils are eligible by the new company law to form companies to produce products and services that have a social impact and will solve a problem facing the community such as solid waste, electricity, water, transportation etc. The local government sector has adapted the philosophy of the Local Economic Development within the municipality strategic plans and, therefore the local government sector will be able to play a major role as Social Enterprises in the future to solve problems in an innovative way by generating profit and providing social impact and reinvesting the profit in the projects.

### **3. Funding:**

- Provide financial support and increased investment in these enterprises, and give them greater opportunity to obtain loans and grants with low interest or funds to support these projects.
- Strengthen the role of the private sector in supporting social projects, whether in providing technical and economic expertise or contributing to solving financial problems within the concepts of social responsibility of private sector companies.
- Social enterprises should strive to gain the trust of the community in the service / product they offer because it provides quality standards. The stated goals of the society are reflected on the ground.
- The presence of guarantors at banks for social projects is a major concern and bottle neck.

#### **4. SESO, Supporting Entities:**

- Direct the decision maker in the government to make the necessary policies through conducting specific research or by addressing sensitive economic situations of interest to the community and which do not have governmental economic policies.
- Support social project capacities in management, production and marketing.
- Awareness, lobby and advocacy campaigns to encourage consumers to purchase products of social enterprises.
- Introduce enterprises and their products and clarify the social role of producers to marketers and linking them to external marketing networks (Fair Trade Network, Cooperatives Network....).
- Cooperation between supporting institutions, universities and research institutes to develop supportive laws and policies.
- Build marketing networks both locally and abroad such as Cooperatives and Fair Trade to enhance their products in foreign markets.



## **VIII. Annexes**

### **1. InAsh Al Usra Association**

#### **• About the Association:**

The association was founded in 1965 as a charity association , registered at the Ministry of Interior under RA-227-C and licensed by the Ministry of Social Development after the establishment of the National Authority in 2001.

There are 112 members of the General Assembly, 60 are active and committed to paying the annual subscription fees. Regular meetings are held in accordance with the law and an administrative board is elected from 13 members every 3 years according to the law.

The association targets women and children from all parts of the West Bank and also provides some services in the Gaza Strip in partnership with the Palestinian Center for Social Development.

There are 120 full-time employees.

The association works with a number of institutions in accordance with memorandum of understanding to provide its services, the most important of which are the municipalities of Ramallah and Al-Bireh, Welfare Association and Birzeit University.

#### **• Programs of the Association:**

The Society's philosophy is to assist vulnerable groups in society and provide humanitarian and social services through the following programs:

1. The orphanage: there are 32 beneficiaries and the service is provided free of charge.
2. Sponsorship (Takaful): The salaries of 1231 families from the West Bank, through sponsoring orphans (60 dinars per child).
3. Educational Assistance: Providing 126 university scholarships through local universities (\$ 500 per semester).
4. Income-generating projects to cover the expenses of the association and provide services to the target groups.

#### **• The Association's capabilities:**

The association is constantly seeking to build and develop its internal capabilities, including the development of its projects. It will build a College for vocational diploma in Surda area, consisting of 4 floors funded by Welfare Association. As for its internal capabilities:

1. The organizational structure of the association has been approved, and systems and manuals have been prepared for human resources and procurement. Currently, the financial system procedures are being developed and are preparing the strategic plan.
2. The equipment and devices available are highly suitable.
3. Continuous training and rehabilitation of cadres especially the old staff on modern management skills, but there is weakness in the management of productive projects.

• **Sources of funding:**

1. Self-funding of the projects of the Association which covers 50% of its expenses through productive income-generating projects.
2. External funding of projects provided that they are not conditional, (GIZ funding for the vocational training project), businessmen donations (50%) finance buildings, production lines and equipment.

• **Income-generating projects:**

1. The objectives of the projects: to provide job opportunities for the marginalized women.
2. Transfer of profits to social services.
3. Some sections serve marginalized groups in society (for example, sewing and embroidery don't have profits, in fact only losses, and student subscription fees don't cover project cost, but the goal of the project is to help girls do income-generating work for their families).
4. The projects are officially registered at the specialized authorities.

• **Projects and tax policies:**

According to the law of associations these projects are exempted from the value additional tax and income tax, but the Ministry of Finance considers it to be competitive to the private sector and demands the required taxes. They demand that they are registered as private enterprises and registered at tax departments. The Income Tax Directorate requires that the income tax is paid according to the profits of the projects according to the segment. However, the association tries to convince the tax department that the projects are charitable and not private projects. (The association is exempt from taxes but not exempt as a production project).

• **The most important income-generating projects in the association:**

**1. College:** Established in 1990, includes vocational education program in nursing, secretary, medical record, physiotherapy and Hebrew language. It is a two year program for diploma certificates and are recognized by the Ministry of Education. It has 8 full-time and 10 part-time employees.

The annual revenue of this project is estimated to be \$ 175,000, the loss is \$ 8000 due to the free education for some girls who are unable to pay the fees.

**2. Vocational Training Center:** Established in 1967, it has developed in several specialties, which started in embroidery and currently includes the specialties of child education, secretary, cosmetics, photography and directing.

The revenue is \$ 80,000, and profit is estimated to be \$2,600. The project has 15 registered employees and 10 temporary positions.

**3. Kindergarten:** Established in 1967, the number of children ranges from 80 to 100 children, there are 7 employees.

The revenue is about \$ 54,000, but profit is estimated to be \$ 2,600.

**4. Nursery:** The number of children is approximately 100 children, there are 6 workers, and its revenues are \$ 32,000. Its profits are limited.

**5. Embroidery workshop:** Social objectives, with 300 women working in households and its revenues are estimated to be \$ 182,000; profits are estimated at 20%.

**6. Outfits Production Section:** there are 5 workers, its revenues are estimated at \$ 54,000 annually, and losses are estimated at \$ 18,600.

**7. Beauty Salon:** earns about \$ 75,000, profit ratio 20% and there are 6 workers.

**8. Physiotherapy center:** two workers, estimated annual revenues are \$ 6,000, losses are due to market competition. The devices are used in both the treatment and in training.

**9. Dorms/Hostel:** There are 300 beds and 6 women employees. The revenue was \$ 123,000, profit ratio 20%.

**10. Household products (the restaurant):** there are 6 employees. Revenues are \$ 120,000, and profit ratio is 10%.

## **2. Pal Tel Group Foundation**

### **• About the Foundation:**

The Foundation is registered as a charitable association at the Ministry of Interior and at the Telecommunication and IT Ministry. It was established in 2008 by a decision of the Board of Directors of the Company as the development support of the Palestine Telecommunications Group. It was established from the profits of the company and it didn't get any external aid or support.

The General Assembly consists of all the Company's subsidiaries, including the members of the Board of Directors of the Company. The Board of Directors consists of the Chairman of the Board of Directors of the Company (Chairman of the Foundation), the Chief Executive Officer of the Company (Vice Chairman) and the Directors of the Companies in the Group.

The institution is subject to the supervision of the Ministry of the Interior in addition to the supervision of the Ministry of Finance within the legal systems and procedures.

The Foundation represents the social developmental aspect of the company. The programs of the Foundation include children, youth and women in specific programs such as:

1. Supporting education in Palestine.
2. Supporting technology projects.

### **• Financial coverage of the Foundation:**

2% of the company's profits are transferred before tax, which is variable based on profit, and is transferred to the budget of the foundation. According to the law, the ratio is a lump sum amount up to 2 million Jordanian dinars annually.

In addition, 20% of the operating expenses of the foundation are covered by non-budget companies, especially with regard to the procurement procedures, for example, the salaries of employees, etc. Currently there are 10 employees, but there are 30 other employees from the Group's staff who work for the foundation which saves 80% of the salaries.

The company's accounts are completely independent of the main company, and the tax is treated according to the law. The income tax is deducted from the profits of its shares in the company. It also uses tax invoices at the time of purchase and supply, and there is income tax on employees. It always gets a deduction from source certificate. The budget is insufficient, but there is no deficit, so that work is done according to the amounts allocated.

### **• Capacity at the Foundation:**

The foundation adopts all the systems and procedures adopted in the company, both administrative and financial, procurement procedures, payroll system and other systems required for work.

As for the financial sources, it is 2% of the profits of the company in addition to the profits of its shares in the company.

The staff are trained, qualified and experienced, and have the technical and administrative capabilities to manage the foundation efficiently and effectively.

• **The most important programs of the Foundation:**

In its programs, the Foundation focuses on the technology sector, with the aim of strengthening the economy of Palestine, in terms of:

1. Provide young people and graduates with experience and knowledge in the technology market, identify weaknesses and handling them.
2. Data and information processing through technological applications.
3. Build the capacity of young people and use them well, especially technical capacity and software.

The Foundation provides the following services in education and technology:

1. The **educational program** is estimated at about one million and three hundred thousand US dollar annually and includes:

- Teaching 750 students in Palestinian universities on the Foundation's account (orphans and poor, distinguished students) according to specific specialties and according to the needs of the Palestinian labor market, in partnership with the Ministry of Education.

- Offering 100 vocational education scholarships annually.

2. Link 2000 public schools to the Internet free of charge so the infrastructure is prepared and rehabilitated and the necessary networks are prepared.

3. Develop programming (software) programs for students of 14 years in order to strengthen the technology sector in Palestine, especially that this sector is large and promising, and the program aims at strengthening Palestinian capabilities for global competition.

4. Income-generating projects for 10 families per year, which are monitored and developed for the purpose of sustainability.

• **Problems and challenges for social companies:**

**1. Laws:** The law of a Foundation must have incentives from the government (a sense of national responsibility) especially for taxes, and it should work to grant or reduce tax exemptions for such types of foundations.

**2. Community Culture:** The Palestinian people are very much aware of the charity work and the voluntary work of the people working in the civil society, also people are aware of the private sector and companies law and so on, but most of the people can't realize that some businesses also care for the social aspects of the community and they are not only concerned about generating profits but also achieving social objectives in addition to making profit.

On the other hand, most members of the community want everything for free, assuming the Foundation should provide everything they ask for, but they do not know that it is a public investment shareholding company.

However, there are positive indicators in some cases, especially in income-generating projects, as suppliers help to reduce prices sometimes, and sometimes do not get paid for their work in the preparation of the project (such as working in furniture or blacksmith).

### **3. Al Reef Investment and Agricultural Marketing company** **An example of Fair Trade Company owned by PARC NGO**

The company was established in 1993 as a private shareholding company and obtained the license from the Ministry of National Economy according to the Companies Law in Palestine.

The owner of the company is PARC which represents the general assembly of the company. The board of directors is elected from 5 members which is held periodically.

The company's philosophy is to "provide services to improve the quality of Palestinian agricultural products and open prospects for marketing them locally and internationally at reasonable prices to improve the capacities of farmers and social and economic cooperatives to increase investment in the agricultural sector."

The company targets cooperatives, which consist mainly of small farmers who are committed to sound agricultural practices, which have transparent management, elections and rotation of management in the north and center of the West Bank.

Accordingly, the company offers several **services**, the most important of which are:

1. Development of technical cooperatives capacities for post-harvest operations.
2. Assisting the cooperative associations in obtaining ISO certificates that contribute to the development of their competitiveness as organic product certificate.
3. Promotion of agricultural products of the associations in the international markets.
4. Quality inspection, marketing and promotion of products and providing all logistics services, whether agricultural processing, packaging, shipping procedures to the international markets.

The company's **social objectives** are:

1. Create job opportunities.
2. Improve farmers' incomes with respect to fair prices of their products.
3. Establish stability in the marketing of products to farmers.
4. Activities of a socially responsible nature (distributing food to families in need as well as scholarships).
5. Adding an amount to the price under the principle of fair trade, especially in the purchase of olive oil. This amount is paid to the cooperatives for the aim of developing the conditions of the community which is regarded as public utilization. For example, some cooperatives built headquarters for associations or were able to help in the extension of electricity and paving roads which is considered as part of the investment in the infrastructure. The Association would take a certain amount of money such as 2 NIS/kg for selling olive oil but it would have to submit a report on the community projects implemented by it. In fact, this was a mandatory condition within the contract of purchase.

The company operates through only one project (agricultural marketing services), currently estimated at about 5 million NIS, and is legally registered as an independent administrative and financial company from the parent association (Agricultural Development Association – Palestinian Agricultural Relief Company).

The company consists of 22 employees, in addition to employing daily workers according to the seasons. Sales is estimated to be 1.4 million \$ and the profit rate is estimated at 3 – 4 %.

The company operates within its own financial and administrative systems, independent of the company's owner. It adopts the ISO 22000 system. Projects are implemented with high quality equipment, machines and modern equipment in packaging and cooling and the staff have high professional skills and abilities.

Since the company operates as a private shareholding company, it is subject to all legal procedures, requirements and conditions for practicing its economic activities. It is registered at the taxation departments, issues full tax invoices, and is obliged to obtain deduction from source certificates and its financial accounts are completely independent from the owner of the project.

The company relies on funding its own project, despite the fact that the project's capital is financed by the owner and did not receive any donations or external assistance for funding any of the activities of the project.

- **Problems and Constraints:**

With regard to problems and constraints, the company does not face any legal problems. It operates within the law of companies. At the time of the company registration, the nonprofit company law was still not in place, and PARC was concerned to provide the company with sustainability factors through its business activities and didn't want to depend on external aids or grants, especially that if those grants stop, it will affect the nature and purpose of the company.

The role of PARC is to provide developmental services and the company's role is to provide these services within a commercial nature. The profits are reinvested in the development of infrastructure and human resources.

The company is prohibited from being an agricultural producer. The benefit here is for the farmer. The goal is to serve the farmer and not to compete with him. For example, Nakheel Palestine company, owned by PADICO, owns an infrastructure similar to that of al Reef Company in terms of packing dates, but the difference between them lies in the fact that Nakheel Palestine company owns thousands of acres of palm trees and serves and markets its palms and products. On the other hand, al Reef does not own trees and provides services to small farmers.

With regard to government policies, the company did not receive any governmental facilities either at the registration stage or exemptions from fees and taxes or obtaining grants from the government.

The company is subject to the conditions of private sector companies as agricultural companies, and is subject to paying taxes, specifically value added tax, on business in the local market. This causes a problem in the cost of the agricultural product during the marketing process in the local market, for example: the olive oil product is sold through the company and re-packaged and becomes subject to VAT as an industrial product and not agricultural.



However, the community culture is unfamiliar with fair trade and their social contributions are weak. Therefore, the company has set up a page on social media and conducted media in local broadcasts and organized social awareness workshops to introduce the concept of fair trade, especially as the company is currently seeking to enter the local market.

Sometimes, the company takes loans from banks for four months at 5% interest to cover its operating capital.

#### **4.Cooperative Association of Poultry Breeders in Ramallah Governorate**

##### **• About the Association:**

The association was established in 1974 as a cooperative association, registered at the Cooperative Labor Authority of the Palestinian National Authority. The number of members of the General Assembly is 141 farmers (80% effective). The members of the Board of Directors are 7 members elected every two years.

The association's philosophy is cooperative among members. The Association provides members with inputs of production without being paid for the input, and then the cooperative will buy the members' production and will sell it in the market for a fair price. Once the cooperative generates revenue they deduct the cost of input, the cooperative margin of profit and pay the members the cost of products (chicken). The cooperative always maintain a fair price to the producers and to the consumers. The association also provides veterinary guidance.

The association targets small farmers who breed poultry, especially in the northern and western villages of Ramallah.

##### **• Productive projects of the Association:**

1. The **fodder factory** for poultry, sheep and cows, with a production capacity of 7000 tons, with a monthly sales of 330,000 \$, profit ratio of 5%, was established in 1985 licensed by the Ministry of Economy and the Ministry of Agriculture.
2. **Hatcher:** Established in 1995, licensed by the Ministry of Economy and Agriculture and the Veterinary Directorate, produces a one day chick, with a production capacity of 230,000 chicks per month, monthly sales are estimated at 200,000 \$ the profit rate is 5%.
3. **Poultry shops:** 3 stores in Ramallah. The daily sales are estimated about 2,500 chickens.

##### **• Total sales and profits:**

The annual sales of the association's products according to the 2017 data are estimated at 9 Million US dollars. The profits amounted to 66,000 \$ and the farmers were paid compensation of 187,000 \$.

##### **• The Society's capabilities:**

1. There are no written rules and procedures in the Association, and traditional methods of managing the association are applied.
2. The production equipment is available and in good condition.
3. Human resources are trained and qualified and at a high level of experience. There are 24 full-time workers.

• **Financial sources:**

1. One-time subscription of members.
2. Self-financing of project profits.

At the beginning of the work, the fodder factory was funded from UNRWA and the contribution of the members of the association, but currently there is no external funding.

• **Accounts and Taxes:**

1. Each project has its own accounts and budgets.
2. Tax departments deal with the Association as a profit organization, where the Association issues value added tax invoices and also pays income tax, and gets a deduction from source certificate.

• **Problems and challenges faced by the Association:**

1. The requirement to transfer chicken from farms to slaughterhouses where they need to obtain licenses, especially at night time, where they are prohibited from transporting them at night.
2. The law does not allow competition with the private sector because of taxes, knowing that the private sector avoids paying tax.
3. Government bureaucratic procedures in delaying the issuance of required transactions.
4. Government policies: Poor control of price trafficking in the market affects the products of small farmers, prices fall and losses are incurred, in addition to the absence of encouraging incentives, whether in marketing or taxes.
5. Culture of society: The people believes that the association has funds and obtains external support, and therefore their right to benefit from such a donation by buying with less prices than the market, instead of supporting them and buying their products and donating. Thus there is great weakness in the awareness of the community towards the cooperative societies.
6. Self-financing is not an obstacle to the Assembly.
7. Government Facilities: Registration of the Association was done during the period of occupation, after the establishment of the Authority and according to the laws and procedures; there are no governmental facilities such as tax exemptions as a profitable company, in addition to the government's non-adoption of the products of the Association.



### Interview schedule

Target group	Day / Time	Date	Organization	Contact person	Position	Mobile no.
<b>Experts</b>	Sunday 13:00	25/11	Ministry of Social Development	Dr. Daoud Al Deek	Deputy Minister	0599601024
	Monday 13:30	3/12	Ministry of Economics	Tareq Al Masri	Deputy Minister for companies	0592555444
	Monday 9:00	26/11	MAS Institute	Misyef Jamil	Economic researcher	0599456457
	Sunday 9:30	25/11	Welfare Association	Yousef Al Deek	Director	0569838383
				Nazieh Arman	Policy manager	0562001737
				Fu'ad Kharma	Project manager	0597500683
<b>Case studies</b>	Wednesday 11:00	28/11	InAsh AlUsra Association	Naqa' Hamed	Public Relations	022401123
	Wednesday 12:30	28/11	Reef	Salim Abu Ghazaleh	Director	0599751447
	Sunday 13:00	18/11	Al Zakat committee	Abdel Rahim Al Hanbali Ibrahim Musleh	Ex - Head of Al Zakat committee	
	Monday 11:00	26/11	Cooperative society (Poultry)	Eyad AlAssi	Director	0597164493
			Nablus Municipality	Didn't respond		
	Monday 10:00	3/12	Communication Group Association	Samah Abu Oun	Executive manager	0598943344
<b>Organizations working with social</b>			Palestinian Center for Economic Development	Didn't respond		

<b>enterprises</b>	Wednesday 9:00	28/11	Small Enterprise Development Center	Ahmad Abu Baker	Executive Director	0599282402
	Sunday 11:00	25/11	Leadership	Hijazi Al Natsheh	Manager of emerging companies' development	0568030000
	11:00 Tuesday	18/12	Welfare	Ms. Rula Shounar & Mr. Hani Abugazaleh	Programs Director Program Manager	
	Tuesday 12:00	27/11	Business Women Forum	Nadia Harb	Executive director	0598904487

