

MEDUP!

Promoting social entrepreneurship in the Mediterranean Region

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Prepared by:

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MEDUP!

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Glossary

NGO: Non-profit, non-government organisation

SE: Social enterprise

NPE: Non-profit enterprise

NPC: Non-profit company

NPISH: Non-profit institution serving households

PARC: Palestinian Agriculture Development Association

MOF: Ministry of Finance and Planning

MONE: Ministry of National Economy

MOL: Ministry of Labour

MOSD: Ministry of Social Development

PCBS: Palestinian Central Bureau of Statistics

SNA: System of National Accounts

UNSD: United Nations Statistical Division

ISIC-4: International Standard Industrial Classification Version 4

ICNPO: International Classification of Non-Profit Organisations

OPT: Occupied Palestine Territory

SEAP: Social Economy Action Plan

Executive summary

MedUP! Is a four-year multi-country project funded by EuropeAid in 2018. This project carried out a series of country studies with the objective of gaining a clear and updated overview of the priority issues and actors involved in the social entrepreneurship sector and the differential impact on gender in each targeted country.

However, during the years since the publication of the country studies, a series of relevant events has occurred, such as the COVID pandemic and the international development of the social economy ecosystem.

The local consultant reviewed the previous study on *Mapping and Needs Assessment of Social Enterprises and Social Enterprises Support Organisations in Palestine* which had been submitted to the Agricultural Development Association (PARC) in 2018. This revision offers an update on the legal status of social enterprises in Palestine since 2018 by providing the following:

- A list of potential new sources in terms of literature on Palestine, including a comparison with related international concepts;
- A series of at least four interviews aimed at finding new relevant data, even local studies providing information in this aspect in addition to data from the official sources;
- A brief analysis of the recent developments in the legal and policy frameworks since the studies were first published in 2018.

In order to carry out the study, the consultant took advantage of the presentation of the European Union's Social Economy Action Plan (SEAP), the related international manuals, and the related local research and academic documents on the social economy and social enterprises in Palestine. This report is submitted to DIESIS as an update for the study on *Mapping and Needs Assessment of Social Enterprises and Social Enterprises Support Organisations in Palestine* which had been submitted to the Agricultural Development Association (PARC) in 2018.

The consultant met with many stakeholders in this regard, including government and ministry officials responsible for updating the laws, legal procedures and regulations related to social enterprises, in particular those providing official licences or supervision of social enterprises, such as the Ministries of the Interior, Labour, National Economy, Social Development, Religious Affairs and

Finance, the Cooperative Work Agency, the Palestinian Central Bureau of Statistics and many other relevant stakeholders.

Israeli procedures have a negative impact on the Palestinian social, demographic, economic, environmental and political situation. These procedures also affect the social economy and social enterprises in Palestine. This undermines progress towards implementing the sustainable development goals (SDGs) in Palestine. At the same time it perpetuates the separation between the West Bank and the Gaza Strip, which reinforces inconsistencies in laws, legal procedures and regulations.

The main findings showed that the GDP of Palestine for 2018 in current prices amounted to 16.3 billion US dollars, compared to 375 billion US dollars for Israel and 43 billion US dollars for Jordan. The unemployment rate reached about 31% in Palestine (52% in the Gaza Strip and 18% in the West Bank) compared to 4% in Israel and 16% in Jordan. The Palestinian income and expenditure survey (household survey) showed that the poverty rate in the West Bank reached 13.9%, while in the Gaza Strip it reached 53.0%, with a clear positive correlation between unemployment and poverty.

The value added of non-profit institutions serving households (NPISHs) amounted to 494 million US dollars in 2018, making up only 3.1% of Palestinian GDP.

The results of the economic surveys of enterprises which were conducted by PCBS showed that in 2018 about 139,778 private enterprises and non-government organisations were operating in different economic sectors, as follows: internal trade 55%, services 29%, industry 14%, others (transport and storage, information and communication, and construction) 2%.

The total number of **units that engage in economic activity** within the private sector in 2018 amounted to 3,748, *including 123 units of auxiliary activity*. Therefore, the number of non-profit enterprises within the private sector is 3,625 enterprises working in Palestine, making up only 2.5% of all *private sector enterprises* operating in Palestine, of which more than 93% of the NPISHs were operating in the services sector. The distribution of non-profit enterprises by economic organisation is: proprietorships 60%, main centres 8%, and branches 32%.

This could mean that 3,625 non-profit enterprises could be considered as social enterprises, while the social economy will include all activity units of the enterprises and auxiliary activity units, which totalled 3,748 in 2017.

The Social Economy Action Plan (SEAP) published by the European Union in 2021 defined *social enterprises* (social economy organisations) as private entities running economic activities whose main purpose is to provide goods and services to their members or the community at large, with profits

coming second. They build on local roots, using solidarity and participation as core principles driving their activities. In particular, social enterprises can face difficulties in developing and scaling up their activities because they are not sufficiently understood and recognised. They need more and better support to grow and thrive, and have an even bigger impact on society.

As for the **social enterprises** (SEs) operating in Palestine, data on non-profit institutions serving households (NPISHs), having the legal form of charities and cooperatives, were obtained from the establishments census for 2017, while data on non-profit companies (NPCs) which received funding in 2021 were compiled based on the administrative records of the Ministry of National Economy (MONE). MONE is currently improving its full database of non-profit companies.

The Palestinian government has passed various pieces of legislation to improve the environment for private enterprises, including social enterprises. In this regard the government has made adjustments to several laws applicable to social enterprises, such as tax laws and commercial companies law. The current laws do not define social enterprises, although many social enterprise components are present in one way or another in different forms such as non-profit company, NGO or cooperative.

In November 2021, Pal Professionals Consulting and Investment Services Company (Palpro), based in Ramallah, conducted a study on the financial mapping of SEs and access to finance in the West Bank. The demand side of the study covered a number of social enterprises, and the structured survey included four major sections regarding the financial, governance, management, and legal and institutional aspects of the selected social enterprises.

The main result of the demand side study indicated that social enterprises in Palestine are licenced by the Ministry of Interior, Ministry of Labour, and Ministry of National Economy, but also supervised by other related official authorities which are working in the same field of social enterprises. Most of them depending on donations—but not loans—to finance their activities in addition to the restrictions on their ability to borrow from financial institutions. The main recommendations are:

- Reform the legal framework applying to social enterprises and social work in Palestine;
- Support SEs financially to build their own businesses that will provide sustainable sources of income and become self-reliant;
- Support capacity building programmes that enhance their technical expertise, management models, governance practices, and networking with relevant private sector, public sector and other partners;

- Enhance local awareness of the importance of social enterprises and their positive impact on Palestinian society.

Additional integrated efforts among official partners are required to select the profitable activities of non-profit institutions serving households (NPISHs) in Palestine.

Chapter 1

1.1 Literature on the social economy and social enterprise concepts at international level

This chapter focuses on the definitions of social economy and social enterprises from an international perspective, as well as studying the Palestinian case within these definitions. It aims at a comprehensive view of whether market conditions in Palestine are suitable for social enterprises and institutions, or constitute an obstacle to them.

In general, any economy includes activities of **institutional units** operating within sectors (non-financial enterprises, financial enterprises, general government, households, non-profit institutions serving households (NPISHs), and external sector) in a geographic area to produce goods and services, generate income, own assets and incur liabilities, all managed by a government.

The definition of Institutional Units according to international standards (the System of National Accounts, SNA-2008, issued by the United Nations Statistics division, UNSD) is an economic entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities. It should meet the following criteria:

- be able to own assets
- be able to exchange assets (through transactions) with other institutional units
- be able to make economic decisions and engage in economic activities for which it is directly responsible and accountable by law
- be able to incur liabilities on its own behalf, to incur other obligations, make future commitments and agree contracts
- have a full set of accounting documents

In this regard, the three dimensions of non-profit institutions serving households (NPISHs), enterprises and establishments could serve as the basis of a definition of social enterprise, as follows:

Term	Definition
Non-profit institution serving households (NPISHs)	A non-market NPI that is not controlled by government.
Institutional unit (enterprise)	An economic entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities.
Establishment	An enterprise or part of an enterprise that is: <ul style="list-style-type: none"> • situated in a single location; and • in which only a single productive activity is carried out or in which the principal productive activity accounts for most of the value added.

Source: United Nations Statistics Division, System of National Accounts (SNA- 2008)

Traditionally, the term ‘social economy’ refers to four main types of entities providing goods and services to their members or to society at large: cooperatives, mutual benefit societies, associations (including charities) and foundations. They are private entities, independent of public authorities and with specific legal forms.

The EU initiative agrees with previous definitions of the social economy, which clarifies that the social economy covers entities sharing the following main common principles and features: the primacy of people as well as social and/or environmental purpose over profit, reinvesting most of the profit/surplus to carry out activities in the interest of members/users (“collective interest”) or society at large (“general interest”) and democratic and/or participatory governance. Social enterprises work in the social economy to create a social impact by using their profits to achieve social goals, instead of distributing them to any of the stakeholders such as owners or workers. They are managed in a democratic way with the participation of their employees and other stakeholders to maximise social justice.

According to the EU Social Economy Action Plan 2021 (SEAP), 2.8 million organisations and entities classified as social enterprises operated in Europe in 2021, and provided 13 million paid jobs, employing 6.3% of the work force – between 0.6% and 9.9% of all jobs in each individual EU member state. (European Commission, SEAP, 2021)

Non-profit institutions are listed in the satellite account. They include charities, or welfare organisations providing goods or services to people in need, or provide health or educational services for a fee, or advance the interests of pressure groups in business or politics. Non-profit institutions include non-profit service providers, non-governmental organisations, arts and culture organisations, sports clubs, advocacy groups and foundations. (United Nations, 2003).

Social enterprises are enterprises that are expressly intended to benefit the community, on the initiative of a group of citizens, which subject capital investors to limits for the general interest (Defourny, et al., 2006). Social enterprises aim to achieve community development and provide services and advice that address social problems that focus on the environmental dimension and gender in an innovative way (PARC, 2018).

Therefore, the social economy includes all social activities carried out by social enterprises as separate institutional units, as well as social activities which are carried out by non-social enterprises as auxiliary activities.

1.2 Applicability of the social economy and social enterprise concepts proposed by the SEAP to Palestine

The research literature addresses a number of issues in order to gain a better understanding of the social economy and social enterprises in Palestine. One of these studies indicated that the definition of the enterprise needs to be agreed between different stakeholders, so that it is commensurate with the situation of the Palestinian economy and social culture, and whether stakeholders such as NGOs, social activists, academics and cooperatives are interested in owning social enterprises (PARC, 2018).

The empirical findings suggest that the social enterprise model is still in its embryonic stages in Palestine, and that the social mission of community development and sustainability is not completely sincere. The social entrepreneurs were willing to compromise social mission for economic surplus. The national structure, political framework, legal environment, and social, cultural and economic conditions in Palestine have served as suitable launching pads for social enterprises with a not-so-authentic mission of serving society. It has encouraged an entrepreneurial philosophy and behaviour in which exterior goals of social welfare and community development have masked hidden economic and political agendas (Akella and Eid, 2018).

When applying the EU operational definition of social enterprise in the Palestinian context, the following organisations could be regarded as social enterprises:

- first, those with the legal status of non-profit organisations and non-profit companies;

- second, those in the ICNPO group, which includes professional associations and unions, education and research, social services, culture and recreation, health, law, advocacy and politics, religion, international, environment, development and housing.

The main sources of financing for social enterprises in Palestine are grants from foundations, donations, profits by the organisation and gifts from local government (Sassi, et al., 2020).

Although the concept of social enterprise is not officially or commonly used in Palestine, in April 2022 the prime minister's office issued an official request asking the authorities to work on selecting non-profit companies to evaluate the impact of the donors' funds provided to them on the Palestinian community.

Through applying the EU conceptual framework of social enterprises, restrictions on some elements of the definition could be also applied in the case of Palestine to provide an accurate and unique definition of social enterprises. In particular, the regulations should state clearly that the main purpose is not to maximise profits but to achieve a social impact on the community through its activities whether they are non-profit or profit, and then by reinvesting the profits to make a social impact. The Palestinian Investment Fund (PIF) is a good example since its regulations state clearly that the main purpose of the fund is to achieve a development impact on the economy and not to maximise profit. It has two investment arms: **Aswaq**, which includes enterprises and projects mainly maximising profits, and **Amar**, which includes enterprises and projects mainly with a development impact on the economy. One of the companies working within the Amar investment arm is officially registered as a non-profit company in the Ministry of National Economy records. Comparing the profit generated by the two arms, it is clear that Aswaq's profits are more than twice those of Amar.

The social economy in Palestine includes all enterprises at least one of whose activities is non-profit, whether as a main or a secondary activity, while social enterprises are enterprises whose main activity is non-profit. The main opportunities of the social economy in Palestine are the effective use of international aid, better service provision, creation of employment for young people and increased women's participation in socio-economic activities (Abdou, et al. 2010).

The main challenges faced the social economy in Palestine are due to the lack of skilled personnel to meet their technical needs, and the weak ability of social institutions to make an impact by competing in the market to provide their products and services. Moreover, social enterprises rely mainly on volunteers to implement their activities. This leads to instability in the human capital and technical skills available for the institutions, as volunteers leave if they get a job that has a higher financial return (Sassi, et al., 2020).

Chapter 2

2.1 Literature on the legal framework for social enterprise in Palestine

This chapter presents updates on Palestinian laws related to social enterprises since 2018. These updates depend on meetings with relevant officials in the authorities responsible for licensing, supervising and regulating SEs in Palestine. These updates are summarised according to the most important laws/legal regulations related to each type of SE, as follows:

A. Law of charities and NGOs

Ex-prime minister Salam Fayyad issued decree no. 8 of 2007 on 20/06/2007 regarding associations and organisations that engage in illegal activities. The decree authorised the Minister of the Interior to take the appropriate action against them immediately and do what is necessary to stop their activities, without specifying how to act towards their assets. Within the same framework, Palestine's President Mahmoud Abbas issued decree-law no. 6 of 2011 amending the Associations Law such that article 39 of the law was amended to transfer the movable and immovable funds of the dissolved associations to the public treasury. It should be noted that the text in the original law approved by the Legislative Council, article 39, explicitly affirms that if the association is dissolved a paid liquidator is appointed for it. The liquidator will make an inventory of its funds and contents and dispose of them according to what is stated in its main bylaws. If the association's bylaws do not mention how to dispose of its funds after its dissolution, its funds are transferred to associations with a similar purpose.

In May 2015, President Mahmoud Abbas issued a decree to form an advisory committee for association affairs that would advise the president's office directly. The presidential decree stipulated that the committee would prepare a comprehensive and detailed report on NGOs in Palestine and any tasks assigned to them. The decree stipulated that this committee would submit reports on the results of its work to the president's office.

President Mahmoud Abbas also issued decree-law no. 7 of 2021 amending law no. 1 of 2000 regarding charitable societies and civil organisations and its amendments. The decree was published in the Official Newspaper (The Palestinian Waqi') on 02/03/2021, based on the recommendation of the Council of Ministers on this amendment dated 11/01/2021. The decision to amend the law on charitable societies and civil organisations is made in the light of the state of emergency that

accompanied the COVID-19 pandemic, which started on 5/3/2020 and continues until the moment of preparing this report. Also it comes in the light of extremely complicated circumstances due to Israeli procedures imposed on the ground, regional and international changes, and the resulting scarcity of funding for the regularity or sustainability of the goals and programmes of civil organisations. Finally it is made in the light of unfair funding conditionalities that violate the Palestinian constitution, the law of Palestinian charitable societies and civil organisations, and international law.

Article 4 of the decree-law, which aimed to amend article 33 of the original Law of Associations approved by the Legislative Council, states that “the association or the civil organisation has the right to collect donations from the public or through the arrangement of parties, charitable markets, sports matches, or any other means of collecting other funds for the social purposes for which it was established (without any mention that these institutions are social enterprises working in the economic field), according to a bylaw issued by the Council of Ministers specifying the terms and conditions of unconditional aid and fundraising.

It is noted that all the amendments mostly relate to security, political, and financial issues to intensify monitoring and control by the executive authority. These amendments threaten the spirit of partnership and the integration of work embodied in the Law of Charitable Societies and Civil Society Organisations of 2000, which is considered one of the leading laws regionally and even globally. Consequently, this will put obstacles in the way of the sustainability of civil work and in turn increase the burden on official service provision, which already suffers from major funding problems.

Accordingly, non-governmental, private-sector and human rights organisations led a wide campaign against the amendments that came in law no. 7 of 2021, which resulted in a decision to stop its enforcement, with the issuance by President Mahmoud Abbas of decree no. 18 of 2021 for further consultations with the relevant authorities to reach the best legal formula in this regard.

Finally, the amendment of the law on charitable societies and civil organisations is no longer a priority since Palestine has a law approved by the Legislative Council in 2000, and it is recommended by the Ministry of the Interior to postpone any amendments until after the elections, when the political separation between Gaza and West Bank is overcome and Palestinian unity is achieved.

B. Cooperative law

As for the Cooperative Work Agency, ex-prime minister Rami Hamdallah issued decree no. 11-2018 regarding the fee scheme for the Cooperative Work Agency on 28 August 2018, based on the attribution of the Board of Directors of the Cooperative Work Agency. The scheme was issued as part of the efforts of the agency to issue the executive systems and by-laws for decree-law no. 20-2017. The scheme identifies the fees charged by the Cooperative Work Agency for the services it provides. Prime Minister Muhammad Shtayyeh issued decree no. 12-2020 regarding the investigation by-law of cooperative societies' work and federations on 21 September 2020, based on a proposal by the agency management council. The by-law restricts the investigation procedures in the financial and administrative affairs of associations and cooperative unions. It is clear that this by-law enhances the issue of governance, but it focuses mainly on financial issues. In the same context, the Prime Minister also issued decree no. 11-2020 on 21 September 2020, based on a proposal by the authority's board of directors. The system defines the procedures for the liquidation process for cooperative societies and cooperative unions.

It is noted that the executive by-laws and systems of decree-law no. 20-2017 regarding cooperative associations up to this date did not address issues related to economic activities and the distribution of revenue from them, except for what was stated in the original text contained in the Cooperative Association Law of 2017.

As for labour law, the Ministry of Labour has recently stated its intention to amend labour law no. 7-2000. The recent efforts have not so far resulted in any documents or specific articles.

The Ministry of Labour considers that the law has nothing to do with social economy enterprises, and therefore did not address this concept in the current approved law and will not address it in the upcoming amendments. The Ministry of Labour believes that the concept of social economy enterprises can apply to cooperatives, charities and non-profit companies.

C. Zakat committee law/ legal regulations

The Ministry of Religious Affairs, which is in charge of zakat committees, believes that there is no need for the existence of a law for zakat committees, as they operate from the inspiration of Islamic Sharia.

There is a wide framework of service and socio-economic projects that have revenues that are recycled to serve the purposes of zakat committees, which are mostly of a social nature. The

committees are organised in a very decentralised way. Each governorate has a committee that manages the zakat funds in it, including the revenues from the committees' projects in the governorate. The reality of the zakat committees does not guarantee the principles of transparency to a high degree and raises major question marks about the achievement of the principle of integrity and, consequently, the absence of the accountability system in some cases.

D. Company and corporation laws and non-profit company legal regulations

Non-profit companies (NPCs) are companies whose objectives are to provide an economic, social, cultural or civil service with a professional, health, social, educational, cultural, athletic or technical aspect, without aiming to make a profit. Even if they do make a profit, it may not be distributed to their shareholders. NPCs differ in definition compared to associations, because associations are civil institutions but are not necessarily developmental, while NPCs essentially should be developmental – in addition to the difference in terms of registration and registration procedures.

As for the institutional perspective, NPCs are often considered to be independent institutional units, but sometimes they are not independent, but rather subordinate to another institutional unit such as the Comprehensive Community Investment Programme of the Palestine Investment Fund, which is registered as an NPC.

No law was issued for NPCs specifically, but rather their work was regulated through legal regulations included in the Palestinian Companies Law. Moreover, the term 'social enterprises' was not mentioned in the Companies Law and was not officially approved, but rather the term non-profit companies was used in article 29 of the updated companies decree-law no. 42-2021.

D-1) The legal regulations of the non-profit company in the new Palestinian Companies Law, decree-law no. 42-2021:

Non-profit companies were not regulated in the previous Jordanian Companies Law no. 12-1964, but were included in accordance with decree-law no. 6-2008 amending the Companies Law of 1964. The decree-law referred to these companies in its article 4, and recommended that it is necessary to issue a special system for this purpose.

Cabinet regulation no. 3-2010 was issued to organise everything related to non-profit companies and to set up a mechanism for their registration and oversight.

This system has been amended under a new revised law no. 8-2015 which added a clause regulating the acceptance of gifts, donations, aid and financing for this type of company.

The new Palestinian Companies Law (decree-law no. 42-2021, article 29) regulates non-profit companies as a special type of company. It defines NPCs as private corporations. It also determines the NPC's provisions, conditions, objectives, the activities that it is entitled to practise, the control over it, the method for obtaining aid and donations, the sources of funding, how funds are spent, liquidity, the transfer of funds upon its liquidation or expiry, and the data that it must submit in accordance with a special system issued by the Cabinet upon the recommendation of the Minister of MONE. Decree law no. 42-2021 was published in the official gazette and became an enforceable law on 31 March 2022.

In addition to the ministry authorised to officially register NPCs, new jurisdictions have been approved in the Companies Law related to NPCs, i.e. those authorities (ministries or public bodies operating within the scope of the work of NPCs) providing either regulatory or supervisory support to NPCs.

D-2) The founders of a non-profit company (NPC) should take the following matters into account:

1. The number of the company's shareholders shall not be less than seven, with a board of directors of at least five members (it was previously required that the number of shareholders should not be less than two);
2. NPCs should provide a service or an economic, social, cultural, civil, development or other activity that would provide a benefit for the public interest; moreover, if it achieves returns or profits, these may not be distributed to its shareholders;
3. All net returns achieved by NPCs are considered as savings, and should be only used to achieve their goals and the objectives for which they were established, to expand their activities and to increase their capital;
4. NPCs are not subject to tax in general, but if they engage in an economic activity that *competes* with the private sector, then they become subject to tax. Therefore in such a case the economic activity is evaluated by a special team at MONE in cooperation with the Ministry of Finance to decide if it *competes* with the private sector or not, then to add it to the tax base of private corporations or not;
5. NPCs have the right to own movable and immovable funds to achieve their goals and objectives;

6. NPCs are obliged to submit periodic financial and administrative reports to the relevant authority within three months of the end of the financial year; these reports should include information on the projects and activities which were carried out using the funds obtained.

The registration of NPCs is similar to the registration of private corporations, and is in line with the system put in place by the Cabinet to regulate NPCs. It involves the obligation to submit an application for incorporation setting out the number of shareholders, the board of directors, their names, those authorised to sign on behalf of the company, their nationalities, identity numbers or passports, their addresses and the type of activity undertaken by the company.

2.2 Series of interviews with official authorities aiming to update the legal framework for social enterprise in Palestine:

The consultant conducted many interviews to update information on the legal framework for social enterprises in Palestine for each law/legal regulation and by type of SE, as follows:

1. Ministry of National Economy: provided updates on the legal situation of non-profit companies law and regulations (Companies law 42-2021). The consultant conducted many meetings on this aspect with relevant officials at the ministry to ensure the correct definition and to discuss the updates on companies law since year 2018;
2. PARC relevant project manager: provided the available literature documents such as the previous study reports for year 2018, which presented the baseline of legal framework related to the social enterprise in Palestine;
3. Ministry of Interior: provided updates on the legal situation of charities law and regulations in Palestine since 2018;
4. Ministry of Labour and Cooperative Work Agency: provided updates on the legal situation of cooperatives law and regulations in Palestine since 2018;
5. Ministry of Finance: provided proposed suggestions on updating the law and regulations on value added tax and income tax related to social enterprises in Palestine since 2018;
6. Ministry of Religious Affairs (Awqaf): provided updates on the legal regulation of Zakat projects in Palestine since 2018;
7. Ministry of Social Development: provided updates on the legal situation of charities, cooperative law and regulations in Palestine since 2018, as a supervisory body.

E. Income tax law and value-added tax law

E-1) Income tax law:

Non-profit enterprises (NPEs) had been exempted by Income Tax Law no. 8-2011, especially in respect of non-profit activities that do not compete the private sector. But in the case of any profits/returns related to profitable activities made by NPEs, they are treated as profitable companies according to article 7 of the law.

Also the current law exempts donors from any donations made to NPEs, stating: "Donations paid to the institutions of the Authority, Zakat Funds, or charity and non-profit organisations which are officially registered in Palestine are exempt, provided that they do not exceed 20% of income and are proven by official receipts."

Recently, MOF had a serious internal discussion on updating the income tax law no. 8-2011 during February 2022. The initial suggestions related to more exemptions for specific bodies and an increase in the range of tax categories. More proposals are on the table, but these are still in draft form since more cooperation with all stakeholders is needed to produce a law which is more reliable, accepted and practical, and which meets the needs of all stakeholders as much as possible.

As for income tax on the profit-making activities of NPEs, the new suggestion is not to treat these NPEs in the same way as for-profit companies. A special committee was created including members of MOF and other relevant authorities to check whether the NPE is competing with the private sector or not. No amendments to the income tax law have yet been officially approved, either by the MOF or by the Cabinet.

E-2) Value added tax law:

New proposed updates to the value added tax law were discussed within MOF in March 2022, then discussed with stakeholders and adopted by MOF. They are currently waiting for the approval of the Cabinet.

Current value add tax law exempts the sales of NPEs which are below the tax threshold. More exemptions for NPEs are suggested, and it is also proposed to exempt the salaries of the workers in NPEs. The proposed amendments also increase the threshold taxable value of sales of NPEs which means all sales under the new higher threshold will not pay value added tax. However the profitable activities of NPEs would not be treated the same as those of for-profit companies before creating a

special committee including members of MOF and other relevant authorities to check whether the NPE is competing with the private sector or not.

In conclusion, a serious discussion has been held with stakeholders and new amendments have been proposed to update the tax laws, but the matter is still waiting for official approval.

Chapter 3

3.1 Official data on social economy and social enterprises in Palestine:

The Economic Surveys Series provides statistical information on active enterprises in the private and **non-profit** sectors in the Palestinian economy, excluding the agriculture and financial sectors. The finance and insurance survey covers financial intermediation activities including banks, insurance, microfinance and money changing. These surveys provided indicators on the number of enterprises, number of employed persons and their compensation, output, intermediate consumption, value added and gross fixed capital formation.

The main economic statistics for the private sector in Palestine are as follows:

- **Gross national product (GDP), employment and poverty**

GDP is one of most important economic indicators, as it represents the value of goods and services produced in the country over a certain period. The national account statistics indicate that in 2018 Palestine's GDP in current prices amounted to 16.3 billion US dollars, while the unemployment rate reached about 31% in Palestine, of which 52% in the Gaza Strip and 18% in the West Bank.

Palestine's income and expenditure survey shows that the poverty rate in the West Bank reached 13.9%, while in the Gaza Strip it reached 53.0%. There is a clear correlation between unemployment and poverty.

The value added of non-profit institutions serving households (NPISHs) amounted to 494 million US dollars in 2018, equivalent to only 3.1% of GDP.

- **Number of enterprises**

The survey shows that there were 139,778 enterprises in the private and non-governmental organisation sector in 2018 operating in the different economic sectors as follows: internal trade 55%, services 29%, industry 14%, others (transport and storage, information and communications, and construction) 2%.

The number of NPISHs amounted to 3,625 in 2018, making up only 2.5% of total private sector enterprises. More than 93% of the NPISHs were operating in the services sector.

- **Number of persons employed**

There are 482,045 persons employed in economic enterprises in the private sector, distributed as follows: internal trade 40%, services 32%, industry 23%, others (construction, information and communications, and transport and storage) 5%.

In 2018, the number of persons employed in NPISHs amounted to 42,872, or 9% of the total for private sector enterprises. 96% of the persons employed in NPISHs were in charities.

- **Value added of private sector enterprises**

The total value added of private sector enterprises operating in Palestine in 2018 was 8,632.7 million US dollars, distributed by economic activity as follows: internal trade 43%, industry 24%, services 21%, others (information and communications, construction, and transport and storage) 12%.

The value added of NPISHs amounted to 494 million US dollars in 2018, or 5.7% of the total value added of private sector enterprises.

As for **social enterprises** (SEs) operating in Palestine, data on non-profit institutions serving households (NPISHs) having the legal forms of charities and cooperatives were obtained from the establishments census 2017, while data for non-profit companies (NPCs) which received funding in 2021 were compiled based on the administrative records of the Ministry of National Economy (MONE). MONE is currently improving a full database on non-profit companies. These NPCs were mapped with establishments' census data for 2017 in order to estimate the main indicators on NPCs. The main findings may be summarised as follows:

- **Number of activity units of non-profit enterprises (NPEs)**

The total number of **non-profit enterprises that engage in economic activity** within the private sector amounted to 3,748, *of which 123 units are engaged in non-profit activities as an auxiliary activity.*

The distribution of non-profit enterprises by economic organisation is: proprietorships (single companies) 60%, main centres 8%, and branches 32%.

Thus 3,625 non-profit enterprises could be considered as social enterprises, while the social economy will include all activity units of the enterprises and auxiliary activity units that numbered 3,748 in 2017.

It is worth mentioning that non-profit companies amounted to 308 in 2021, but only 60 of them received funding in 2021, so this study will analyse the data for the 60 NPCs that received funding in 2021. See Table 1.

Table 1: Number of activity units of non-profit enterprises, by economic organisation

Economic organisation	Number of activity units	%
Sole proprietorships/ single companies	2,170	60
Main centres	284	8
Branches	1,171	32
Total enterprises	3,625	100
Auxiliary activity units	123	

Source:

1. Palestinian Central Bureau of Statistics, 2022. Population, Housing and Establishment Census 2017. Unpublished data.
2. Ministry of National Economy, 2022. Non-profit companies receiving funding in 2021. Unpublished data.

- **Types of non-profit enterprises**

As mentioned, NPEs in Palestine are divided into 3 main sections: 1. charities, 2. cooperatives, and 3. non-profit companies. The charities rank highest in terms of the number of enterprises with 92% of the total (NPEs). See Table 2.

Table 2: Number of non-profit enterprises, by type

Non-profit enterprises	Number of enterprises	%
Charities	3,339	92
Cooperatives	226	6
Non-profit companies (which received funding in 2021)**	60	2
Total	3,625	100

Source:

1. Palestinian Central Bureau of Statistics, 2022. Population, Housing and Establishment Census 2017. Unpublished data.

** Estimates based on Ministry of National Economy data, 2022. Non-profit companies received funding in 2021.

- **Non-profit enterprises and employed persons by type**

The number of persons employed in the NPEs reached 42,872 employees, of whom 55% were male and 45% female, reflecting gender equality of employment. By type of NPE the employees were distributed 96% working for charities, 3% for cooperatives and 1% for non-profit companies (receiving funding in 2021). See Table 3.

Table 3: Number of non-profit enterprises and employed persons, by type

Legal status	Number of establishments	Employed persons							%
		Total of males	Paid males	Unpaid males	Total of females	Paid females	Unpaid females	Total by type	
Cooperatives	226	763	580	183	558	446	112	1321	3
Charities	3339	22503	19843	2660	18650	16567	2083	41153	96
Non-profit companies (which received funding in 2021) **	60	208	165	43	190	164	26	398	1
Total employees	3625	23474	20588	2886	19398	17177	2221	42872	100

Source:

1. Palestinian Central Bureau of Statistics, 2022. Population, Housing and Establishment Census 2017. Unpublished data.

** Estimates based on Ministry of National Economy data, 2022. Non-profit companies received funding in 2021

- **Non-profit enterprises, by region**

The West Bank recorded the highest number of NPEs operating in Palestine with 64%, of which 27% in the north area, 20% in the middle area and 17% in the south area, while the Gaza Strip recorded 36% of NPEs. See Table 4.

As for NPEs' distribution by governorate, 14.2% were in Ramallah and Al-Bereh governorate, while Gaza recorded a similar number with 13.7%, and Nablus 10%. Finally, Jericho and Al-Aghwar governorate recorded the lowest number of NPEs with only 1%. See Annex 1.

Table 4: Number of non-profit enterprises, by region

Region	Charities	Cooperatives	Total non-profit companies**	Non-profit companies (which received funding in 2021)**	Total by region	%
West Bank	2,085	188	287	45	2,318	64
North Area	878	89	38	6	973	27
Middle Area	622	54	209	35	711	20
South Area	585	45	40	4	634	17
Gaza strip	1,254	38	21	15	1,307	36
Total by type	3,339	226	308	60	3,625	100

Source:

1. Palestinian Central Bureau of Statistics, 2022. Population, Housing and Establishment Census 2017. Unpublished data.

** Estimates based on Ministry of National Economy data, 2022. Non-profit companies received funding in 2021.

- **Non-profit enterprises, by category of capital**

Non-profit enterprises with a capital 5,000 US\$ or below recorded the highest number of NPEs operated in Palestine with 44%; most of them are charities. The category of 5,001 to 50,000 US\$ recorded 31%, again most being charities. Finally the category with a capital of more than 50,001

US\$ recorded 25%, also mostly charities, which means the NPEs operating in Palestine are mostly small enterprises. See Table 5.

Table 5: Number of non-profit enterprises, by category of capital

Category of capital	Non-profit enterprises			Total by capital	%
	Cooperatives	Charities	Non-profit companies (which received funding in 2021) **		
5,000 US\$ and below	65	1,519	10	1,594	44
5,001 to 50,000 US\$	89	1,028	24	1,141	31
50,001 to 100,000 US\$	34	298	13	345	10
More than 100,000 US\$	38	494	13	545	15
Total by type	226	3,339	60	3,625	100

Source:

1. Palestinian Central Bureau of Statistics, 2022. Population, Housing and Establishment Census 2017. Unpublished data.

** Estimates based on Ministry of National Economy data, 2022. Non-profit companies received funding in 2021.

- **Non-profit enterprises by distributed economic activity (ISIC-4)**

Based on International Standard Industrial Classification version 4 (ISIC-4), which is commonly used in classifying economic activities in Palestine, the economic activity which included the highest number of NPEs was **services** with 94%, followed by industry with 3% and internal trade with 2%, while all other activities (financial intermediation and insurance, communications and Information, transport and storage, and construction) contributed only 1% of total activities. See Table 6.

Table 6: Number of non-profit enterprises, by economic activity (ISIC-4)

Economic activity (ISIC)	Non-profit enterprises			Total by activity (ISIC)	%
	Cooperatives	Charities	Non-profit companies (which received funding in 2021) **		
Industry	30	67	-	97	2.7
Construction	-	3	-	3	0.1
Internal trade	26	62	-	88	2.4
Transport and storage	1	3	-	4	0.1
Communications and information	1	13	-	14	0.4
Financial intermediation and insurance	4	21		25	0.7
Services	164	3170	60	3394	93.6
Total by type	226	3339	60	3625	100

Source:

1. Palestinian Central Bureau of Statistics, 2022. Population, Housing and Establishment Census 2017. Unpublished data.

** Estimates based on Ministry of National Economy data, 2022. Non-profit companies received funding in 2021.

- **Number of non-profit enterprises by ICNPO group**

According to the International Classification of Non-Profit Organisations (ICNPO), which is harmonised with ISIC-4, as in the Handbook of National Accounting (Satellite Account on Non-Profit and Related Institutions and Volunteer Work) issued by UNSD in 2018 and the Handbook on Non-Profit Institutions in the System of National Accounts issued by UNSD in 2003, the ICNPO group which included the highest number of NPEs was **Professional associations and unions** with 32% of total groups, followed by Education and research with 18%, Social services with 13%, then Culture and recreation with 10%, while all other groups (Health, Law, Advocacy and politics, Religion,

International, Environment, Development and housing and Not elsewhere classified) contributed only 26% of total activities. On the other hand charities were active in most ICNPO groups. See Table 7.

Table 7: Number of non-profit enterprises, by ICNPO group

ICNPO group	Charities	Cooperatives	Non-profit companies (which received funding in 2021) **	Total by ICNPO	%
Culture and recreation	341	11	5	357	9.8
Education and research	617	16	27	660	18.2
Health	281	5	3	289	8.0
Social services	451	19	15	485	13.4
Environment	11	2	3	16	0.4
Development and housing	2	3	2	7	0.2
Law, advocacy and politics	124	6	4	134	3.7
Mediators and volunteers	5	1	-	6	0.2
International	23	1	1	25	0.7
Religion	109	6	-	115	3.2
Professional associations and unions	1,039	128	-	1,167	32.2
Not elsewhere classified	336	28	-	364	10.0
Total by type	3,339	226	60	3,625	100

Source:

2. Palestinian Central Bureau of Statistics, 2022. Population, Housing and Establishment Census 2017. Unpublished data.

** Estimates based on Ministry of National Economy data, 2022. Non-profit companies received funding in 2021.

3.2 Series of interviews with data sources aimed at finding new relevant data on social economy and social enterprises in Palestine:

The consultant conducted structured interviews with potential data sources to find new relevant data on social economy and social enterprises in Palestine. Mainly, the consultant interviewed the following (see Annex 5: List of Interviews):

1. Ministry of National Economy (MONE): it provided primary data on non-profit companies in 2021, including the total number of registered non-profit companies in addition to those receiving donations in year 2021. The consultant conducted many meetings on this topic with relevant officials in the ministry to ensure the correct definition and complete details of data requested. MONE is currently working on improving a fully updated data set on non-profit companies in Palestine.
2. Palestinian Central Bureau of Statistics (PCBS): as an official government institution it provided official statistics on micro and macro levels, and detailed data on non-profit institutions serving households (NPISHs) which have the legal form of non-governmental organisation, in particular charities and cooperatives. The consultant conducted several meetings in this regard with relevant staff at PCBS to ensure the correct definition of data requested and complete details. Also PCBS staff gave indications on how to estimate the missing data on social enterprises.
3. PARC relevant project manager: he provided documents such as the previous study reports for 2018, which presented the baseline of the legal framework for social enterprises in Palestine.
4. DIESIS Network senior consultant: he provided details for this study in terms of definitions, and data on EU SEs according to SEAP 2021.
5. Ministry of Interior: the consultant investigated new information on charities, since the ministry is officially responsible for licensing charities.
6. Ministry of Labour and Cooperative Work Agency: the consultant investigated new information on cooperatives, since the ministry is officially responsible for licensing cooperatives.
7. Ministry of Religious Affairs (Awqaf): the consultant investigated new information on Zakat business projects, since the Awqaf is officially responsible for regulating Zakat business projects.
8. Ministry of Social Development: the consultant investigated new information on SEs that work in the scope of the ministry, as an official supervisory body.

PCBS and MONE provided the most detailed data on SEs working in Palestine, as presented in the previous section of this chapter.

Chapter 4

4.1 Academic documents on the social economy ecosystem in Palestine:

A number of topics have been researched in the literature to better understand the social economy and social enterprises in Palestine. As in many countries, the social economy ecosystem in Palestine is studied by academics, both individual specialists (both students and professors) and institutions such as universities and colleges. The local consultant investigated the academic documents issued by individual specialists and institutions on the social economy ecosystem in Palestine. One of these studies was carried out in 2020 by the University of Pavia, Italy, on *The Landscape of Social Enterprises in Palestine* as a phase of the Peace Steps project.

The main body of the report is organised into the following chapters:

- Chapter 1 describes the methodology of the research activity, the robust instruments used to map and collect data on social enterprise models and the limitations faced during implementation of each leg of the research phase;
- Chapter 2 highlights the findings and results obtained through a comprehensive analysis of the different characteristics, practices and features of the social enterprises peculiar to the case of Palestine. It describes what is lacking in the sector and brings attention to the role social enterprises play in catering to social needs and challenges. This chapter is further divided into sections and subsections with each filtering the overarching themes from the questionnaire, tracing them on a continuum and turning attention to the components of social enterprises;
- Finally, chapter 3 provides concluding remarks and recommendations for the growth, strengthening and expansion of the social enterprise ecosystem in Palestine.

This study covered only a sample of 40 social enterprises working in Palestine, which consisted of two parts. The first is non-profit organisations, including charities, NGOs, cooperatives, social development trusts and association, and the second is for-profit organisations including cooperatives and community organisations. Most social enterprises in Palestine are working on empowering and uplifting women, supporting vulnerable groups, creating employment opportunities, and supporting vulnerable groups and young people.

The success of these social enterprises is highly dependent on the human capital that is available in Palestine (Sassi, et al., 2020).

The main sources of finance for social enterprises in Palestine is grants from foundations, donations, profits by the organisation and gifts from local government (Sassi, et al., 2020).

The social economy in Palestine includes all enterprises that have at least one non-profit activity, whether it is a main activity or a secondary activity, But the social enterprises are enterprises whose main activity is a non-profit activity.

The main opportunities for the social economy in Palestine are the effective use of international aid, better service provision, the creation of employment opportunities for youth and increased women's participation in socioeconomic activities (Abdou, et al. 2010).

The challenges faced by the social economy in Palestine include the lack of skilled personnel to meet their technical needs, and the weak ability of social institutions to make an impact and compete in the market to provide their products and services. Moreover, social enterprises mainly rely on volunteers for their activities. This leads to instability in the human capital and technical skills available to them, as volunteers leave if they get a job that has a higher financial return (Sassi, et al., 2020).

In 2018, both researchers (Devi Akella, Albany State University, and Niveen Eid, Birzeit University) published *A Critical Analysis of Social Enterprises in Palestine*, which aimed to critically examine the concept of social enterprise in Palestine. It uses the lens of institutional theory to understand how the political and economic context of the society can influence certain types of entrepreneurial behaviour and be responsible for the emergence of social enterprises.

The empirical findings suggest that the social enterprise model is still in its embryonic stages in Palestine. Their social mission of community development and sustainability is not completely sincere. Social entrepreneurs were willing to compromise social mission for economic surplus. The national structure, the political framework, the legal environment and the social, cultural and economic conditions in Palestine have served as suitable launching pads for social enterprises with a not-so-authentic mission of serving the society. It has encouraged an entrepreneurial philosophy and behaviour in which exterior goals of social welfare and community development mask hidden economic and political agendas.

In this article, social enterprises are conceptualised as market-driven and profit-oriented commercial ventures. They could be profit-generating ventures which enter into private and government partnerships and avail themselves of various tax concessions and exemptions offered in order to churn out surpluses for their owners (Bull 2008; Dart, 2004; Peredo, 2011; Dey and Steyaert, 2012).

There are traces of possibility in the empirical findings that social enterprises in Palestine may not be completely sincere and cannot be linked to their social and ethical value-based drivers in totality. The

case studies indicate the entrepreneurs' willingness to compromise social mission for economic surplus. They seek to achieve economic values using a set of political drivers while using societal engagement and social capital and networks. This may be due to the current economic conditions existing in Palestine.

4.2 Local studies and relevant development of the social economy ecosystem in Palestine, conducted by other stakeholders:

Following the academic research on the social economy ecosystem in Palestine, many international and local agencies realised the importance of the social dimension and the vital performance of social enterprises in Palestine.

In November 2021, Pal Professionals Consulting and Investment Services Company (Palpro), based in Ramallah, was contracted by the Palestinian Agriculture Development Association (PARC) to conduct a study on *Financial Mapping of SEs in Access to Finance in West Bank*. Palpro's experts conducted a primary data collection on the *demand side* for a number of social enterprises that were selected in full coordination with PARC. The data were collected through direct meetings, Zoom meetings and pre-structured surveys. The structured survey included four major sections covering the financial, governance, management, legal and institutional aspects of the selected social enterprises. The response rate was 100%.

The main result of the demand side study indicated that these social enterprises in Palestine are licensed by the Ministry of Interior, Ministry of Labour, and Ministry of National Economy, but also supervised by other related official authorities which are working in the same field as the social enterprises. Most of them depended on donations but not loans to finance their activities, given the restrictions on their ability to borrow from financial institutions.

Social enterprise priorities could be summarised as follows:

- Amending cooperative regulations and laws and setting laws that facilitate the work of associations;
- An empowering project that improves the financial situation of the associations and its members;
- Obtaining funding to increase the number of staff, especially the administrative team, to build all the missing systems and manuals;
- Raising capabilities in writing project proposals to obtain the appropriate funding for the association to achieve its goals;

- Enriching the market with additional products of the company, participating in local and international exhibitions, and studying global markets;
- Relying on self-reliant sources of income by establishing production centres to achieve financial sustainability;
- Enhancing the opportunities for primary financial support in a larger, adequate and comprehensive manner;
- Providing funding for reforming regulations and plans;
- Relaxing the restrictions imposed by the Monetary Authority and the Ministry of Economy on obtaining financing approval and easing the compliance procedures followed in banks;
- Supporting raw materials for craftsmen;
- Holding training courses for the SEs' employees in several topics such as marketing and networking, and getting to know the financing and supporting institutions.

Main conclusions and recommendations:

- Reform of the legal framework regulating social enterprises and social work in Palestine;
- Support SEs financially to build their own sustainable businesses that will help them become self-reliant;
- Support capacity building programmes that enhance their technical expertise and focus on their core business;
- Support the building of management models and enhance governance practices;
- Ensure networking with relevant private sector, public sector and other partners;
- Improve local awareness of the importance of social enterprises and their positive impact on Palestinian society;
- Enhance the capabilities of SEs in the digital market and financial tools.

Additional integrated efforts among official partners are required to select auxiliary activities of enterprises such as profitable auxiliary activities of non-profit institutions serving households (NPISHs), and non-profit auxiliary activities for profitable enterprises working in Palestine.

Measuring the voluntary activities conducted by both entities and individuals is also necessary to be included in the social economy.

Annexes

Annex 1: Number of non-profit enterprises, by governorate

Governorate	Charities	Cooperatives	Total Non-profit companies **	Non-profit companies (which received funding in 2021) **	Total by governorate	%
Jenin	229	16	15	2	247	7
Tubas & Northern Valleys	51	9	0	0	60	2
Tulkarm	156	15	2	0	171	5
Nablus	312	30	19	4	346	10
Qalqilya	68	4	1	0	72	2
Salfit	62	15	1	0	77	2
Ramallah & Al-Bireh	442	39	182	34	515	14
Jericho & Al-Aghwar	45	6	1	0	51	1
Jerusalem*	135	9	26	1	145	4
Bethlehem	311	14	31	1	326	9
Hebron	274	31	9	3	308	8
North Gaza	215	4	21	3	222	6
Gaza	459	27		12	498	14
Dier Al-Balah	176	3		0	179	5
Khan Yunis	258	4		0	262	7
Rafah	146	-		0	146	4
Total by type	3339	226		308	60	3625

Source:

1. Palestinian Central Bureau of Statistics, 2022. Population, Housing and Establishment Census 2017. Unpublished data.

** Estimates based on Ministry of National Economy data, 2022, non-profit companies receiving funding in 2021.

Annex 2: Number of non-profit enterprises by economic activity (ISIC-4), to two digits

ISIC code	Economic activity	Non-profit enterprises			Total by activity (ISIC)	%
		Cooperatives	Charities	Non-profit companies (which received funding in 2021) **		
10	Manufacture of food products	23	29	-	52	
11	Manufacture of beverages	1	1	-	2	
13	Manufacture of textiles	-	1	-	1	
14	Manufacture of wearing apparel	2	8	-	10	
16	Manufacture of wood and products of wood and cork, except furniture; Manufacture of articles of straw and plaiting materials	1	2	-	3	
20	Manufacture of chemicals and chemical products	-	1	-	1	

Annex 2: Number of non-profit enterprises by economic activity (ISIC-4), to two digits

ISIC code	Economic activity	Non-profit enterprises			Total by activity (ISIC)	
23	Manufacture of other non-metallic mineral products	-	3	-	3	
25	Manufacture of fabricated metal products, except machinery and equipment	1	-	-	1	
36	Water collection, treatment and supply	1	20	-	21	
37	Sewerage	-	2	-	2	
38	Waste collection, treatment and disposal activities; materials recovery	1	-	-	1	
Industry		30	67	0	97	2.7%
41	Construction of buildings	-	2	-	2	
43	Specialised construction activities	-	1	-	1	
Construction		-	3	-	3	0.1%
45	Wholesale and retail trade and repair of motor vehicles and motorcycles	1	1	-	2	
46	Wholesale trade, except of motor vehicles and motorcycles	1	-	-	1	
47	Retail trade, except of motor vehicles and motorcycles	24	61	-	85	
Internal trade		26	62	-	88	2.4%
49	Land transport and transport via pipelines	1	1	-	2	
52	Warehousing and support activities for transportation	-	1	-	1	
53	Postal and courier activities	-	1	-	1	

Transport and storage		1	3	-	4	0.1%
58	Publishing activities	-	2	-	2	
59	Motion picture, video and television programme production, sound recording and music publishing activities	-	1	-	1	
60	Programming and broadcasting activities	-	7	-	7	
61	Telecommunications	-	1	-	1	
63	Information service activities	1	2	-	3	
Communications and information		1	13	-	14	0.4%

Annex 2: Number of non-profit enterprises by economic activity (ISIC-4), to two digits

ISIC code	Economic activity	Non-profit enterprises			Total by activity (ISIC)	%
		Cooperatives	Charities	Non-profit companies (which received funding in 2021) **		
64	Financial service activities, except insurance and pension funding	3	16	-	19	
65	Insurance, reinsurance and pension funding, except compulsory social security	-	1	-	1	
66	Activities auxiliary to financial service and insurance activities	1	4	-	5	
Financial intermediation and insurance		4	21		25	0.7%
55	Accommodation	3	15	-	18	

56	Food and beverage service activities	28	172	-	200	
68	Real estate activities	3	1	-	4	
69	Legal and accounting activities	-	9	4	13	
70	Activities of head offices; management consultancy activities	2	3	-	5	
71	Architectural and engineering activities; technical testing and analysis	1	4	-	5	
72	Scientific research and development	2	26	1	29	
73	Advertising and market research	1	9	-	10	
74	Other professional, scientific and technical activities	-	3	5	8	
75	Veterinary activities	2	1	-	3	
77	Rental and leasing activities	-	2	-	2	
79	Travel agency, tour operator, reservation service and related activities	1	6	-	7	
80	Security and investigation activities	-	1	-	1	
82	Office administrative, office support and other business support activities	-	5	-	5	
84	Public administration and defence; compulsory social security	1	20	-	21	
85	Education	20	672	16	708	
86	Human health activities	5	208	-	213	
87	Residential care activities	-	69	3	72	
88	Social work activities without accommodation	10	341	6	357	
90	Creative, arts and entertainment activities	1	31	5	37	
91	Libraries, archives, museums and other cultural activities	-	17	-	17	

93	Sports activities and amusement and recreation activities	6	242	3	251	
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Annex 2: Number of non-profit enterprises by economic activity (ISIC-4), to two digits

ISIC code	Economic activity	Non-profit enterprises			Total by activity (ISIC)	%
		Cooperatives	Charities	Non-profit companies (of which received funding in 2021) **		
94	Activities of membership organisations	77	1,247	13	1,337	
95	Repair of computers and personal and household goods	-	1	-	1	
96	Other personal service activities	-	7	-	7	
99	Activities of extraterritorial organisations and bodies	1	56	4	61	
Services		164	3,170	60	3,394	93.6%
Total by type		226	3,339	60	3,625	100%

Source:

1. Palestinian Central Bureau of Statistics, 2022. Population, Housing and Establishment Census 2017. Unpublished data.

** Estimates based on Ministry of National Economy data, 2022, non-profit companies receiving funding in 2021.

Annex 3: Methodology of estimating data

Non-Profit Enterprises operating in Palestine have been divided into 3 types based on their legal status; which are charities, cooperatives, and non-profit companies (NPCs). The data on these NPEs were obtained from the sources as follows:

1. Charities:

Were listed based on the data file of the establishments census, which was carried out by the Palestinian Central Bureau of Statistics in 2017. Moreover, the characteristics of charities were identified through the data available in the establishments census data file.

2. Cooperatives:

Were also compiled based on the data file of the establishments census, which was carried out by the Palestinian Central Bureau of Statistics in 2017. Moreover, the characteristics of the cooperatives were identified through the data available in the establishments census data file.

3. Non-profit companies:

A list of 308 registered NPCs was obtained from the Ministry of National Economy records. The active NPCs, which received funding during year 2021, were identified. These amounted to 60 NPCs, which will be included in the study.

Detailed data were only available for only 33 of these 60 active NPCs. These were mapped using the data from the establishments census which was carried out by the Palestinian Central Bureau of Statistics in 2017, to identify the 33 NPCs' characteristics.

To ensure that the detailed data of the 33 NPCs was represented, and to estimate it for the whole sample of 60 active NPCs, both the 33 and the 60 NPCs were distributed by geographic areas of Palestine (North, Central and South of West Bank, in addition to Gaza Strip), then appropriate weights were calculated for each geographic area. The following weights were applied in estimating the data of the 60 active NPCs:

Geographic area	Number of NPCs (which received funding in 2021) **	Number of NPCs (which were mapped with establishments census 2017)	Weight by geographic area
North of West Bank	6	3	2.00
Middle of West Bank	35	13	2.69
South of West Bank	4	3	1.33
Gaza Strip	15	14	1.07
Total by type	60	33	-

Annex 4: Questionnaire of financial mapping of social enterprises in Palestine, 2022

First :Identification data

Company commercial name		
Owner name		
Manager name		
Name of chairman of board of directors		
Institution location (country/province)		
Phone number		
E-mail		

Second: Financing

Codes	Questions	Answers
Relation with financial institutions		
Q_F_A_1	Do you have knowledge of banks/finance institutions that provide financing or facilities?	1.Yes 2.No <input type="checkbox"/>
Q_F_A_2	Do you have knowledge of financial programmes and services offered by banks and financial institutions?	1.Yes 2.No <input type="checkbox"/>
Q_F_A_3	Was there any communication between you and the bank/or financing institution?	1.Yes 2.No <input type="checkbox"/>
Q_F_A_4	Have you ever applied for a financing / or banking service from a bank?	1.Yes 2.No <input type="checkbox"/>
Q_F_A_5	Have you ever applied for a financing/banking service from a microfinance institution?	1.Yes 2.No <input type="checkbox"/>
Questions about those who received a banking service from a bank		
Q_F_B_1	If you do not apply for financing and/or financial services from a financing institution, Select the reason:	
Q_F_B_2	Did you get the required funding the first time?	1.Yes 2.No <input type="checkbox"/>
Q_F_B_3	In the event that your application is rejected by the bank, what are the reasons for the rejection (arrange the following options in order of importance/priority in the rejection): 1 .No warranty 2 .Inadequate payment source 3 .Insufficient revenue to pay 4 .The institution is not registered 5. The institution is registered with the Ministry of the Interior, not the Ministry of Economy.	Sort by importance <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Q_F_B_4	In the event that your application was previously rejected by the same bank or from another bank, how did you overcome the reason for the rejection until you obtained the financing	

Q_F_B_5	Did you ask for any kind of facility: If the answer is (yes), answer the following questions	1.Yes <input type="checkbox"/>	2.No
Q_F_B_5_a	Did you ask for a loan?	1.Yes <input type="checkbox"/>	2.No
Q_F_B_5_b	Did you request a document accreditation?	1.Yes <input type="checkbox"/>	2.No
Q_F_B_5_c	Have you requested a debit current account?	1.Yes <input type="checkbox"/>	2.No
Q_F_B_5_d	Did you ask for bank guarantees?	1.Yes <input type="checkbox"/>	2.No
Q_F_B_5_e	Did you ask for a check book?	1.Yes <input type="checkbox"/>	2.No
Q_F_B_6	What guarantees are required of you?	1.Yes <input type="checkbox"/>	2.No
Questions for those who received a banking service from a microfinance institution			
Q_F_C_1	In case you did not apply for financing / or financial service from a financing bank, Select the reason:		
Q_F_C_2	Did you get the required funding the first time?	1.Yes <input type="checkbox"/>	2.No
Q_F_C_3	Were the procedures in the finance institution easier than in the bank?	1.Yes <input type="checkbox"/>	2.No
Q_F_C_4	In the event that your application is rejected by the financing institution, what are the reasons for the rejection, (rank the following options in order of importance/priority in the rejection): 1 .No warranty 2 .Inadequate payment source 3 .Insufficient revenue to pay 4 .The institution is not registered 5. The institution is registered with the Ministry of the Interior, not the Ministry of Economy	Sort <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	by importance

Q_F_C_5	In the event that your application was previously rejected by the same financing institution or from another financing institution, how did you overcome the reason for rejection until you obtained the financing	
Q_F_C_6	Did you ask for any kind of facility: If the answer is (yes), answer the following questions	1.Yes 2.No <input type="checkbox"/>
Q_F_C_6_a	1. Have you requested a loan	1.Yes 2.No <input type="checkbox"/>
Q_F_C_6_b	2. Have you requested a documentary credit	1.Yes 2.No <input type="checkbox"/>
Q_F_C_6_c	3. Have you requested a current debit account	1.Yes 2.No <input type="checkbox"/>
Q_F_C_6_d	4. Did you ask for bank guarantees	1.Yes 2.No <input type="checkbox"/>
Q_F_C_6_e	5. Did you order a check book	1.Yes 2.No <input type="checkbox"/>
Q_F_C_7	What guarantees are required of you?	1.Yes 2.No <input type="checkbox"/>
Required documents from the company that obtained a banking service from a bank		
Q_F_D_1	Have you been asked to submit a feasibility study?	1.Yes 2.No <input type="checkbox"/>
Q_F_D_2	Have you submitted the required feasibility study?	1.Yes 2.No <input type="checkbox"/>
Q_F_D_3	Did you prepare a feasibility study internally or from an external party?	1.Yes 2.No <input type="checkbox"/>
Q_F_D_4	Have you been asked for financial reports, such as budgets, income statements, and tax files	1.Yes 2.No <input type="checkbox"/>
Q_F_D_5	Have administrative reports been requested, such as the administrative structure - the work procedures manual - the organisational structure - the minutes of the meetings - the annual or strategic plan - the employment systems - the bidding and purchasing systems - the internal system	1.Yes 2.No <input type="checkbox"/>

Q_F_D_6	Other requirements, if the answer is (yes), specify the requirements:	1.Yes 2.No <input type="checkbox"/>
Specify:		
Required documents from the company that obtained a banking service from a microfinance institution		
Q_F_E_1	Have you been asked to submit a feasibility study?	1.Yes 2.No <input type="checkbox"/>
Q_F_E_2	Have you submitted the required feasibility study?	1.Yes 2.No <input type="checkbox"/>
Q_F_E_3	Did you prepare a feasibility study internally or from an external party?	1.Yes 2.No <input type="checkbox"/>
Q_F_E_4	Have you been asked for financial reports, such as budgets, income statements, and tax files	1.Yes 2.No <input type="checkbox"/>
Q_F_E_5	Have administrative reports been requested, such as the administrative structure - the work procedures manual - the organisational structure - the minutes of the meetings - the annual or strategic plan - the employment systems - the bidding and purchasing systems - the internal system	1.Yes 2.No <input type="checkbox"/>
Q_F_E_6	Other requirements, if the answer is (yes), specify the requirements:	1.Yes 2.No <input type="checkbox"/>
Specify:		
Q_F_F_1	Have you encountered a problem with cash transfers	
Q_F_F_2	Rank the problems you encountered in obtaining financing in order of importance from your point of view	Sort by importance
	1- Legal reasons	<input type="checkbox"/>
	2- Administrative reasons	<input type="checkbox"/>
	3- Financial reasons	<input type="checkbox"/>
	4- Reasons for the geographical distance of the source of funding	<input type="checkbox"/>
	5- Procedural reasons related to financial awareness issues	<input type="checkbox"/>
	6- Legalisation against the gender of the director of the institution / female	<input type="checkbox"/>

	7- Reasons related to cash transfers	<input type="checkbox"/>
Q_F_G_1	Is there another funding source?	
Q_F_G_2	Is there a self-financing source?	
Q_F_G_3	If the answer to Q_G_2 is (yes), how is this done?	
Q_F_G_4	If the answer to the question Q_G_2 was (Yes), how are the generated returns to be disposed of?	

Third: Management

Codes	Questions	Answers
Accountability		
Q_G_A_1	Are stakeholders involved in developing policies and strategies?	1.Yes 2.No <input type="checkbox"/>
Q_G_A_2	Are there general assembly meetings, if any?	1.Yes 2.No <input type="checkbox"/>
Q_G_A_3	Is the organisation subject to social accountability?	1.Yes 2.No <input type="checkbox"/>
Q_G_A_4	Are annual progress reports submitted?	1.Yes 2.No <input type="checkbox"/>
Q_G_A_5	Is there a monitoring and evaluation system?	1.Yes 2.No <input type="checkbox"/>
Q_G_A_6	Is there a complaints system?	1.Yes 2.No <input type="checkbox"/>
Q_G_A_7	Is there a code of conduct?	1.Yes 2.No <input type="checkbox"/>
Q_G_A_8	Is the General Assembly the one who approves the annual budget?	1.Yes 2.No <input type="checkbox"/>
Transparency		
Q_G_B_1	Is equal opportunity achieved in recruitment?	1.Yes 2.No <input type="checkbox"/>
Q_G_B_2	Are jobs advertised?	1.Yes 2.No <input type="checkbox"/>

Q_G_B_3	How are interview committees formed?	1.Yes 2.No <input type="checkbox"/>
Q_G_B_4	Are interview results reported?	1.Yes 2.No <input type="checkbox"/>
Q_G_B_5	Are bids announced, if any?	1.Yes 2.No <input type="checkbox"/>
Q_G_B_6	Is there a mechanism for evaluating the bids submitted?	1.Yes 2.No <input type="checkbox"/>
Q_G_B_7	Is there a technical evaluation of the bids?	1.Yes 2.No <input type="checkbox"/>
Q_G_B_8	Is there a financial evaluation of the bids?	1.Yes 2.No <input type="checkbox"/>
Q_G_B_9	Are financial reports and budgets disclosed?	1.Yes 2.No <input type="checkbox"/>
Q_G_B_10	Does the institution have evidence to prevent fraud, bribery or corruption	1.Yes 2.No <input type="checkbox"/>
Board of directors and strategy		
Q_G_C_1	Is there a board of directors / board of trustees?	1.Yes 2.No <input type="checkbox"/>
Q_G_C_2	How many council members are there?	
Q_G_C_3	How many entities are represented by the council members?	
Q_G_C_4	The council was formed in your organisation by:	Select the answer number in the box <input type="checkbox"/>
Q_G_C_4-a	1 .Set	
Q_G_C_4-b	2 .Elect	
Q_G_C_4-c	3. Other	
Q_G_C_5	Do you have a strategy/strategic framework/or action plan?	1.Yes 2.No <input type="checkbox"/>
Q_G_C_6	Is it reviewed periodically?	1.Yes 2.No <input type="checkbox"/>
Q_G_C_7	If the previous question is answered (yes), what is the periodicity of its review:	Select the answer

	1 .Annually 2 .Every 3 years 3 .Every 5 years 4. Every 10 years	number in the box <input type="checkbox"/>
Q_G_C_8	Is there clarity in the vision and mission of the social impact of its work?	1.Yes 2.No <input type="checkbox"/>
Q_G_C_9	Who are the stakeholders involved in developing the strategy?	
Separation of the executive management from the board of directors		
Q_G_D_1	Are there employees in the organisation who are members of the board of directors?	1.Yes 2.No <input type="checkbox"/>
Q_G_D_2	Are there first-degree relatives for any of the board members?	1.Yes 2.No <input type="checkbox"/>
Q_G_D_3	Are there any privileges for members of the board of directors (session allowance, financial rewards, travel)	1.Yes 2.No <input type="checkbox"/>
Q_G_D_4	Is there an internal system at the institution that defines the powers of the executive management and the board of directors?	1.Yes 2.No <input type="checkbox"/>

Fourth: Legal aspects

Codes	Questions	Answers
Registration		
Q_L_A_1	What is the licensing authority for your organisation?	
Q_L_A_2	What is the registration number for your organisation?	
Q_L_A_3	What is the supervisory authority for your organisation / or jurisdiction?	
Q_L_A_4	What is the legal status of your organisation?	
Q_L_A_5	Is there a tax file for your organisation?	1.Yes 2.No <input type="checkbox"/>
Q_L_A_6	Is there a bank account for your organisation	1.Yes 2.No <input type="checkbox"/>
Contracts / clients / employees		

Q_L_B_1	The number of male and female employees	Male	Female
Q_L_B_2	The number of administrative and technical employees	Administrative	Technical
Q_L_B_3	Are there contracts for employees?	1.Yes 2.No <input type="checkbox"/>	
Q_L_B_4	Do employees have all legal rights (such as maternity leave, health insurance, annual leave, sick leave, end of service gratuity)	1.Yes 2.No <input type="checkbox"/>	
Q_L_B_5	Is there a human resource guide?	1.Yes 2.No <input type="checkbox"/>	
Q_L_B_6	Is there a system of incentives and rewards	1.Yes 2.No <input type="checkbox"/>	

Fifth: Institutional characteristics

Codes	Questions	Answers
Employment		
Q_I_A_1	Does the organisation have partnerships with other institutions	1.Yes 2.No <input type="checkbox"/>
Q_I_A_2	If the answer to the question Q_I_A_1 is (Yes) for which sector does the partner institution belong to?	1 .Agriculture 2 .Industry 3 .Constructions 4 .Trade 5 .Transportation and storage 6 .Services 7. Communication and information
Q_I_A_3	Does the institution impose specific fees on the recipient of the service	1.Yes 2.No <input type="checkbox"/>

Q_I_A_4	Does the institution impose specific contributions from the beneficiaries of its services?	1.Yes 2.No <input type="checkbox"/>
Administrative and financial systems		
Q_I_B_1	Does the institution have a computerised financial system?	1.Yes 2.No <input type="checkbox"/>
Q_I_B_2	Is there an internal auditor for the organisation?	1.Yes 2.No <input type="checkbox"/>
Q_I_B_3	Is a financial report approved by an external auditor issued?	1.Yes 2.No <input type="checkbox"/>
Q_I_B_4	Is there a computerised administrative system?	1.Yes 2.No <input type="checkbox"/>
Capacity building		
Q_I_C_1	Does the organisation suffer from a shortage of specialised cadres?	1.Yes 2.No <input type="checkbox"/>
Q_I_C_2	If the answer to Q_I_C_1 is (yes), how does this affect the institution and its programmes	
Q_I_C_3	What are the measures taken by the organisation to overcome the shortage of employees?	
Q_I_C_4	Is there a career path for employees	1.Yes 2.No <input type="checkbox"/>
Q_I_C_5	There is a training plan to raise the capabilities of employees	1.Yes 2.No <input type="checkbox"/>
Q_I_C_6	Who covers the costs of employee training?	
Q_I_C_7	Are there procedures manuals for employees and beneficiaries?	1.Yes 2.No <input type="checkbox"/>
Q_I_C_8	What are the most important areas of training that the organisation needs?	
Awareness		
Q_I_D_1	Is there a website and social media pages?	1.Yes 2.No <input type="checkbox"/>
Q_I_D_2	Website link	

Q_I_D_3	Is there a page on social media?	1.Yes 2.No <input type="checkbox"/>
Q_I_D_4	page link	
Q_I_D_5	Do you know of a financial inclusion strategy?	
Q_I_D_6	What are your suggestions for overcoming the obstacles you face, specify:	

Annex 5: List of interviews

No.	Date	Institution	Contact person	Position	Telephone
1.	28 February 2022	DIESIS Network	Samuel Barco	Senior Consultant	+3225431043
2.	28 February 2022	Palestinian Agriculture Development Association (PARC)	Huthayfa Assi	Project Manager	0592501292
3.	2 March 2022	Ministry of Interior	AbulNaser Al Sairafi	Director General of Associations	0599124705
4.	13 April 2022	Ministry of Labour	Bothayna Salem	Director General of Legal Affairs	0562822611
	22 February - 14 March 2022	Ministry of National Economy	Tariq Al-Masri	Companies Monitor	0592555444
			Tahani Assi	Companies Department Director	0599469555
			Rashad Yuosef	Acting DG of Research and Policies Directorate	0599849897
5.	16 February 2022	Cooperative Work Agency	Yousef Al-Turk	Chief of CWA	0569838383
	19 February 2022	Ministry of Finance	Hayel Mashaqi	Director of Value Added Tax	0599111471

	21 April 2022		RafiqBishr	Director of Income Tax	0599111459
6.	9 March 2022	Ministry of Religious Affairs (Awqaf)	Ismael Abu Halawi	Director General of Zakat Fund	0599253375
7.	6 March 2022	Ministry of social development	Kholoud Ab- dul- Khaliq	Director General of Legal Affairs	0598991996
8.	20 March- 11 April 2022	Palestinian Central Bureau of Statistics	Dr Saleh Al- Kafri	Director General of Economic Statistics	0599230119
			Ayman Qan'eer	Director of Industry and Construction Statistics Department	0599767130
			Osayd Ardah	Statistician, Services sectors statistics de- partments	0598166967

Annex 6: List of references

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