**The concept and reality of social enterprises in Palestine**

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 Nongovernment 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.

1. **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 ,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.

**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 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.