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**PALESTINE ECONOMIC POLICY
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**Responsiveness of Social Entrepreneurship
Institutions in Palestine to Achieving
Sustainable Development Goals (SDGS)**

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Senior Researcher: Dr. Rabeh Morrar

Sabri Yaaqbeh

Rand Taweel

Statistical analyst: Ahmad Alawneh

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Executive Summary

A range of social and economic challenges afflict the Palestinian territories, especially after the Corona pandemic and the repercussions of the Russian-Ukrainian war. This has hindered the government's plans and policies in achieving the sustainable development goals (SDGs), combined with a significant rise in poverty levels, food insecurity and widespread unemployment (particularly in the Gaza Strip, under blockade since 2007). The latest statistics indicate that unemployment in Palestine remains at a high level, despite a decrease by 2% since 2021, reaching 24.4% by EO 2022. (40.4% for females; 45.3% in the Gaza Strip). Within the same context, the latest Household Expenditure and Consumption Survey (PCBS, 2017) indicates that poverty rates for individuals in Palestine reached 29.2% based on their consumption levels: 13.9% in the West Bank and 53% in the Gaza Strip. The economic impact of the Corona pandemic led to a significant increase in the number of poor people, resulting in the emergence of large numbers of "new poor", directly linked to new social realities resulting from the pandemic.

The Palestinian government responded positively to the mainstreaming of SDGs, according to the UN (September 2015). Despite notable progress in some goals and indicators (health, education, water and energy), many other indicators have witnessed a sharp decline, such as the first and second SDGs concerning poverty and food security. Therefore, non-governmental organizations (NGOs) and civil-society organizations (CSOs), through social entrepreneurship, can play a major role in confronting the increasing severity of social and economic challenges, by meeting part of the gap in demand for basic services.

Despite the modernity of social entrepreneurship as a concept, and the limited number of studies that have addressed its important role in confronting economic and social challenges (as evidenced by international and regional experiences), it can play a pivotal role in achieving SDGs, especially concerning indicators that witnessed a significant decline during the past two years. Therefore, this study primarily aims to identify the reality and nature of social entrepreneurship in Palestine, its various forms, institutions working in this field, and their role in contributing to achieving SDGs (particularly those that relate to the most prominent social and economic challenges in the Palestinian territories, witnessed by their significant decline over the past two years). This study also aims to achieve a further set of other derivative objectives. These include determining the legal structure of social entrepreneurship institutions; determining the regulatory framework governing their work; identifying the economic, social and environmental dimensions of social entrepreneurship in Palestine, as well as obstacles and challenges facing social entrepreneurship institutions; and the extent to which they provide social security, and associated limitations to achieving SDGs.

Concerning the legal and regulatory side, this study illustrates that there is no legal framework regulating social entrepreneurship or like-minded companies. There is also an almost complete absence of the concept of social entrepreneurship among relevant government agencies, and it has not been referred to their plans and strategies. For example, reports on monitoring progress in achieving SDGs do not address social entrepreneurship and its role in promoting the pursuit of

these goals. At the same time, there is no uniform legal system for companies that practice social entrepreneurship. They assume numerous: NGOs, cooperatives, charities and non-profit companies.

Social entrepreneurship institutions unanimously agreed on a set of legal and regulatory challenges, primarily represented by the lack of an appropriate legal framework for registering an organization active in this field. Moreover, the weakness of the environment regulating social entrepreneurship practices is compounded by the lack of a governmental reference point regulating social entrepreneurship activities and institutions, as well as weak coordination and partnership mechanisms between these institutions and their counterparts from relevant stakeholders in the public sector. Simultaneously, given limited and fluctuating international support on which most legal social entrepreneurship institutions, non-profit companies are now considered the most effective model for practicing social entrepreneurship. However, this model clashes with the restrictions placed by the government on the work of non-profit companies, as stipulated in Decree No.8 (2015), in itself an amendment of the Non-Profit Companies Law No. 3 (2010), or more specifically Article 11 concerning the right of a non-profit company to obtain funding (later suspended in 2017).

Social entrepreneurship organizations suffer from weak financial sustainability in terms of leveraging internal resources for commercial activities. This leads to a heavy reliance on grants, aid, external donations, donor-funded projects and consulting contracts, in order to finance their entrepreneurial activities. Despite the great awareness among respondents of the importance of social entrepreneurship in achieving sustainability, there is a gap in understanding the business models of both non-profit companies and social entrepreneurship companies, and the role that each can play in achieving financial sustainability.

Therefore, to enhance social entrepreneurship activities in Palestine and ensure their sustainability, it is necessary to strengthen the legal forms that are most responsive to social entrepreneurship and propel them forward, away from almost total dependence on external funding. This requires including social entrepreneurship companies within relevant legal and regulatory frameworks, re-introducing the Non-Profit Companies Law, and reconsidering Decree No.8 (2015), which greatly limits their ability to obtain external financing.

As for social entrepreneurship practices, the motives behind their adoption vary. Social and environmental aspects are top of the list of priorities for institutions practicing social leadership, while economics is a distant second (much further behind). The social empowerment of marginalized groups is considered top of the ladder (in terms of social goals, as defined by social entrepreneurship practitioners in Palestine), followed by poverty alleviation, affording social protection, building the capabilities of women and youth, and promoting volunteerism. That is, social entrepreneurship activities attempt to respond to a large gap in social protection systems, especially in light of the fact that the majority of organizations practicing social entrepreneurship depend on external support (aid), as mentioned above.

Therefore, there is a marked need to enhance awareness of the economic dimensions of social entrepreneurship, especially in the private sphere. This motivates the private sector and entrepreneurs to invest in important activities with significant social and environmental impact, while realigning the practice of volunteerism at NGOs and CSOs to reduce the financial burdens (mainly related to covering wages) on institutions that practice social entrepreneurship. This will only help

to underwrite their future financial sustainability. It is also important for social entrepreneurship organizations to enhance their business practices, searching for innovative solutions to social challenges by adopting (economically viable) business models, enabling them to realize financial returns that enhance their financial sustainability. This concurrently reduces their heavy reliance on external support, noting that this support has experienced fluctuations - and a significant decline - over the past few years. Moreover, universities should be engaged by including concepts of social entrepreneurship in educational curricula, practical exercises and graduation projects across various specializations. Finally, providing financial and technical support from relevant, governmental institutions helps to create an enabling environment for social entrepreneurship at specialized institutions, universities, business incubators, and other initiatives.

The study found that despite the novelty of social entrepreneurship as a concept, few institutions are active in this field, and the enabling environment is weak, even though these play a pivotal role in reducing the current deterioration experienced in achieving SDGs (especially indicators that witnessed a significant decline during the past two years). The financial and economic capabilities of the entrepreneurship sector in Palestine have been unable to respond to this reality during the past two decades, despite the great care and support that such institutions have received over the years. The majority of institutions that practice social entrepreneurship in Palestine seek to achieve the UN's SDGs. Most institutions practicing social entrepreneurship were included in this survey, especially those concerned with social and economic development, as their activities impact many SDGs.

In terms of their perception of priority SDGs, institutions active in the field of social entrepreneurship identified eradicating poverty (SDG #1) as the top priority, especially non-profit companies, cooperatives and NGOs. This was followed by decent work conditions and economic growth (SDG #8); gender equality (#5), quality healthcare (#3) and quality education (#4). SDGs relating to clean energy (#7), climate action (#13), responsible consumption and production (#12), life-sustaining water (#14) and life on land (#15) did not receive sufficient attention, or do not feature as a priority within the work agendas of the majority of surveyed institutions.

Social entrepreneurship institutions consider political and economic instability to be the greatest challenge that they face in achieving SDGs. The existence of the occupation in itself challenges all 17 SDGs, particularly #1, #2, #3, #6, #7, #8, and #9. Weak financial capabilities were also identified as one of the most prominent challenges facing social entrepreneurship organizations and their ability to respond to achieving SDGs, especially in light of weak government incentives and difficulties in accessing external financing. The same applies to the lack of skills and experience at such institutions active across numerous SDG-related themes, as reported by social entrepreneurship institutions when surveyed.

Therefore, it is important for social entrepreneurship organizations to place the fulfillment of SDGs on their list of work priorities, and to reference these unambiguously in their strategic plans. This will greatly contribute to collectively motivating this sector to respond to achieving SDGs. The study also recommends the need to delineate clearly the role that social entrepreneurship activities and institutions can play in SDG-related plans in Palestine (and in reporting on progress), while spreading awareness amongst members of the national SDG team on social entrepreneurship and how it contributes to achieving these goals. This must cover every ministry and governmental entity.

There is also a need to enhance awareness among social entrepreneurship institutions on the importance of environmental SDGs. This requires partnership and support from relevant, governmental agencies, while strengthening partnership and cooperation between social entrepreneurship institutions, various governmental agencies, NGOs and private-sector companies, in order to combine their efforts and harness their limited capabilities in their pursuit of SDGs. Finally, SDGs must be included in the strategies and action plans of the private sector, and linked to social entrepreneurship by activating social and environmental responsibility, including (school and university) education programs that spread awareness of SDGs.