



Regulatory and legal framework of the Social Solidarity Economy (SSE) and ecosystem in Palestine

MedTOWN Project

Co-production of social policies with social and solidarity economy actors to fight poverty, inequality and social exclusion.



QUESTIONNAIRE PROJECTS PHASES AND LOCAL PARTNERS. MEDTOWN PROJECT. 3rd LOT.

DEMONSTRATIVE ACTION. Name: Citizen and SSE waste processing. A circular economy model

MUNICIPALITY, REGION AND COUNTRY ACTION: Beitillu village, Palestine

BRIEF DESCRIPTION OF CONTEXT:

There is no specific regulation for SSE in Palestine and there is no official definition of SSE or Social Enterprises (SEs).

ARRAY TO BE FILLED IN:

N°	ASPECTS TO BE REPORTED	ACTIONS	OTHER ACTIONS/ DISCLAIMERS	OTHER DISCLAIMERS
1	Existing applicable SSE legislation	<p>There is no specific law on or legal definition of SSEs in Palestine. SSEs exist however, and they are typically categorized as cooperatives (as socially oriented businesses), Charitable Associations/NGOs (particularly those that deliver social services), Not-for-Profit Companies, socially-oriented for profit companies, and Zakkat Committees. Each category of these SSEs is subject to different legislations and regulations, and are registered and overseen by different governmental entities. Accordingly, a wide range of legislations and regulations apply to SSEs.</p> <ul style="list-style-type: none"> • Cooperative Associations Law for the year 2017 • Palestinian Companies Law, for the year 2021 • Charitable associations’ law for the year 2000 • Regulation on Non-Profit Companies No. 3 of 2010 • Non-profit Companies Law for 2012. • Non-profit Companies’ Law for the 	<p>Zakat committees 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</p>	<p>- The current laws and literature don’t include any terms of Social Enterprises by definition as it was presented earlier, although many Social Enterprises components are present in one way or another in different forms such Non-Profit Company, NGOs, Cooperatives, Zakat Committees, Social responsibility of public shareholding companies and other forms.</p> <p>- Zakat committees: No law or regulation has been issued by the national authorities but these committees are registered and supervised by Ministry of Awqaf .</p>



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		<p>year 2012</p> <ul style="list-style-type: none"> The new Regulation No. 8 of 2015 (NPC Regulation), amendment of the Regulation on Non-Profit Companies No. 3 of 2010 The Non-government Organizations Law for 2000. 		
2	Purpose of the regulation	<p>- The purpose of the above laws is to create the legal framework (and enabling environment) for registration of these organizations (cooperatives, companies, etc), and monitoring, supervision and following up their programs and activities.</p> <p>- The new regulation (NPC Regulation) is designed to subject funding sources of Non-Profit Companies (NPCs) to government control and prior approval</p>		According to Article 1 of NPC, it is a condition precedent that NPCs obtain prior approval from the Council of Ministers to receive grants, donations, and funding, and NPCs must provide reasons for the funding
3 ¹	Consideration-Theoretical Definition SSE (According to regulation)	No legal definition.		There is no regulatory definition
4	Scope of application of SSE legislation	<p>Cooperative Associations Law for the year 2017 applies to all registered cooperatives in the West Bank and Gaza Strip.</p> <p>Palestinian Companies Law, for the year 2021 applies to all for-profit companies registered by the Ministry of National Economy in Palestine</p> <p>Charitable associations' law for the year 2000 applies to all charitable associations registered by the Ministry of Interior in Palestine.</p> <p>Non-profit Companies' Law for the year 2012</p>		No refer to SSE in the state regulations

¹ Necessary for making comparative terms of equivalent concepts



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		and Regulation No. 8 of 2015 apply to not-for-profit enterprises registered by the Ministry of National Economy.		
5	Stakeholders Involved SSE	<ul style="list-style-type: none"> - SSEs themselves. - Cooperative Work Commission - Ministry of Interior - Ministry of Social Development - Ministry of National Economy - Ministry of Agriculture - Chambers of Commerce - Local and International NGOs supporting SSEs - Donors supporting civil society organizations. 	<p>The Palestine Liberation Organization, the various factions and Palestinian civil society organizations in addition to UNRWA have played an essential role in social development in Palestine before and after the establishment of the PA in 1994. Components of the Social Protection Sector in Palestine:</p> <ul style="list-style-type: none"> • Organizations, which are made of two parts: <ul style="list-style-type: none"> - National organizations: these are governmental institutions (Ministry of Social Affairs (the leader of the social protection sector), and the relevant ministries and institutions), the civic institutions, including the Zakat committees, and the private sector. - Foreign organizations: these include the donor countries, United Nations organizations, including UNRWA and other international organizations. • Target groups which receive assistance and services from the Ministry of Social Affairs and other parties. • Programs and services provided to the poor and target segments. • Legislations, laws and regulations related to social protection. 	<ul style="list-style-type: none"> - The Ministry of National Economy (MoNE) is the competent authority for monitoring and control of NPCs. -The Palestinian National Authority has assumed the primary and direct responsibility for the social protection sector represented by the Ministry of Social Affairs which is considered primarily and directly responsible for this sector in partnership and coordination with the various governmental, private and international organizations, including UNRWA. -NGOs (Voluntary Societies), registered with Ministry of the Interior. -Cooperatives, registered with the Welfare Association -Non-for-profit companies, registered with Ministry of Economy and the Ministry of Interior -Zakat Committees, registered with Ministry of Awqaf and Religious Affairs

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				-Specialized civil society organizations, registered with Ministries of Agriculture, Environment, Youth, Culture and Water. These societies following the laws/regulations for the voluntary societies.
6	Existence of Concrete Figures SSE Sector?	No. There are no special designations.	N/A	
7	Administration - competent legislative body SSE	<p>Theroretically, the Palestinian Legislative Council. But in practice, due to the political division since 2007, the PLC is inactive.</p> <p>Currently, legislations are prepared by line ministries (usually in consultation with stakeholders), submitted to the cabinet for review (3 readings). Once approved by Cabinet, draft legislations go to the President for endorsement. Once signed, they are referred to as laws by decree.</p>	Each Ministry prepares legislation that pertains to its policy area jurisdiction. For example, Cooperative Work Commission prepares draft laws and regulations pertaining to cooperatives, Ministry of National Economy on companies, etc.	
8	Administration - competent executive body SSE	<ul style="list-style-type: none"> - Cooperative Work Commission – registration and oversight of cooperatives. - Ministry of Interior – registration and oversight of all registered charitable organizations. - Ministry of Social Development - oversight of registered charities (NGOs and CSOs) specializing in social protection. - Ministry of National Economy registration and oversight of all types of companies. - Ministry of Agriculture oversight of all 		

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		<p>registered charitable societies specializing in agriculture.</p> <ul style="list-style-type: none"> - Ministry of Health oversight of all registered charitable society specializing in health. - Ministry of Education oversight of all registered charitable society specializing in education. - Higher Council for Youth and Sports oversight of all CSOs registered as youth clubs. 		
9	Administration - competent supervisory body SSE	Same as previous.	<p>Inspection and clearance by Civil Defense is required for registration of enterprises.</p> <p>Local Government Unit approvals are also needed.</p>	
10	Certifications/Register of SSE Actors	<ul style="list-style-type: none"> - Cooperative Work Commission – registrar of cooperative associations - Ministry of Interior – registrar of NGOs and youth clubs, irrespective of specialization - Ministry of National Economy registrar of for-profit companies and not-for-profit companies. - Ministry of Health licensure of all types of enterprises working in the health sector. - Ministry of Education licensure of all types of enterprises providing educational services. 	<p>Environmental Quality Authority provides environmental clearance needed for registration of some enterprises. Same is true for Ministry of Health.</p>	
11	Measures promoting or fostering SSE	Social Enterprises have access social funding for projects, donations and unconditional funding. Social enterprises in Palestine play	-	Income Tax Law No. 8 of 2011 exempts charities, cooperatives, Zakat

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	<p>an important and vital role in various fields due to the occupation and Israeli control over the resources, through implementing projects targeting marginalized groups. This is a major issue for the Palestinian community and national economy.</p>		<p>committees, non-profit companies, trade unions and professional associations from non-profit work, and does not affect the competitiveness of the private sector. In case of any profit, they are treated as public shareholding companies according to article 7 of the law.</p> <p>The law also exempts donors from any donations made to charities stating "Donations paid to the institutions of the Authority, Zakat Fund or charity and non-profit organizations which are officially registered in Palestine are exempt, provided that they do not exceed 20% of the income and are proven by official receipts."</p> <p>This indicates that the income tax law has helped to reduce the financial burden on charity and non-profit institutions, in addition to encouraging taxpayers to donate to these institutions to enhance sources of income and financial resources.</p> <p><u>Non-Profit Companies:</u> The law was not exposed to the tax exemption for the</p>

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				<p>equipment used in the company or exempted their products from the value added tax.</p> <p>The employees are not exempted according to the Palestinian labor law and collect income tax from their salaries as other companies and institutions.</p> <p><u>NGOs and Voluntary Societies:</u> Article (14) of the tax exemption law for associations states: "Associations and communities shall be exempted from taxes and customs on fixed and current assets necessary for the implementation of their objectives set forth in their statutes, provided they are not used for less than five years for purposes contrary to their objectives unless taxes and customs are paid. Associations shall have the right to establish income-generating projects provided that the income earned is used to cover their activities for the benefit of the public interest.</p> <p><u>Cooperatives:</u> Based on the law, a</p>

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				<p>cooperative society is clearly a socio-economic institution (but not a system of non-profit companies). It relies on cooperative thought, teamwork and utilization of the resources available to establish productive projects that are of benefit to members.</p> <p>Article 17 of the law also exempted cooperative societies from customs stating “Sectorial associations and the General Federation shall be exempted from taxes and customs as well as any registration fees on fixed and current property necessary for the implementation of the objectives set out in its internal bylaws provided that they are not used for less than five years.”</p> <p><u>Zakat Committees:</u> No Palestinian law or regulation has been issued to regulate the zakat committees and clarify its objectives and mandate. However, these committees carry out their duties according to the Islamic Shari'a. They work on raising funds from zakat and ongoing charity funds and disbursing them to the poor and the needy.</p>

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				Zakat committees have implemented several service projects such as hospitals and medical clinics to provide health services to the poor for small fees, in addition to implementing projects for the benefit of poor families, such as land reclamation projects, sheep breeding, beekeeping, Al-Safa Dairy Production in Nablus, which contributes to providing jobs for farmers and graduates.
12	Other SSE-related legislation	N.A.	N.A.	
13	Possibility to create new SSE legislation	Possible. As per the Palestine's Basic Law of 2003 with Amendments through 2005 Article 68: The Prime Minister shall exercise the following powers: # 7. To sign and issue regulations approved by the Council of Ministers. Article 70: The Council of Ministers shall have the right to transmit draft laws to the Legislative Council, to issue regulations and to take necessary actions to implement laws.	Prime Minister, Council of Ministers,	
14	Possibility to amend existing SSE legislation SSE	See point 13 above	Prime Minister, Council of Ministers,	
15	Possible implementation of (new or amended) SSE legislation	This is possible at the long-term.	Ministry of Interior, Prime Minister, Council of Ministers,	
16	Problematic Identification/implementation of SSE regulations			

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17 SSE legislation and other legislation applicable to the Demonstration Action (Concrete Project)	<ul style="list-style-type: none"> - Palestinian Local Authorities Law No.1 of 1997. - The Palestinian Cooperatives Law of 2017. - The Non-government Organizations Law for 2000. - Non-profit companies Law for 2012. 	This law governs the relations between LGUs and provate sector.	
18 Other matters and policy areas linked to SSE	Income Tax Law No. 8 of 2011 exempts charities, cooperatives, Zakat committees, non-profit companies, trade unions and professional associations from non-profit work, and does not affect the competitiveness of the private sector. In case of any profit, they are treated as public shareholding companies according to article 7 of the law.	<p>The law also exempts donors from any donations made to charities stating "Donations paid to the institutions of the Authority, Zakat Fund or charity and non-profit organizations which are officially registered in Palestine are exempt, provided that they do not exceed 20% of the income and are proven by official receipts."</p> <p>This indicates that the income tax law has helped to reduce the financial burden on charity and non-profit institutions, in addition to encouraging taxpayers to donate to these institutions to enhance sources of income and financial resources.</p> <p><u>Non-Profit Companies:</u> The law was not exposed to the tax exemption for the equipment used in the company or exempted their products from the value added tax.</p> <p>The employees are not exempted according to the Palestinian labor law and collect income tax from their salaries as other companies and institutions.</p> <p><u>NGOs and Voluntary Societies:</u> Article (14) of the tax exemption law for associations states: "Associations and communities shall be exempted from taxes and customs on fixed and current assets necessary for the implementation of their objectives set forth in their statutes, provided they are not used for less than five years for</p>	

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			<p>purposes contrary to their objectives unless taxes and customs are paid.</p> <p>Associations shall have the right to establish income-generating projects provided that the income earned is used to cover their activities for the benefit of the public interest.</p> <p><u>Cooperatives:</u> Based on the law, a cooperative society is clearly a socio-economic institution (but not a system of non-profit companies). It relies on cooperative thought, teamwork and utilization of the resources available to establish productive projects that are of benefit to members.</p> <p>Article 17 of the law also exempted cooperative societies from customs stating “Sectorial associations and the General Federation shall be exempted from taxes and customs as well as any registration fees on fixed and current property necessary for the implementation of the objectives set out in its internal bylaws provided that they are not used for less than five years.”</p> <p><u>Zakat Committees:</u> No Palestinian law or regulation has been issued to regulate the zakat committees and clarify its objectives and mandate. However, these committees carry out their duties according to the Islamic Shari'a. They work on raising funds from zakat and ongoing charity funds and disbursing them to the poor and the needy.</p> <p>Zakat committees have implemented several service projects such as hospitals and medical clinics to provide health services to the poor for small fees, in addition to implementing projects for the benefit of poor families, such as land reclamation projects, sheep breeding, beekeeping, Al-Safa Dairy Production in Nablus, which contributes to</p>	

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			providing jobs for farmers and graduates.	
19	Other issues to highlight	N.A.		

CHALLENGES & RECOMMENDATIONS:

The absence of a comprehensive legal framework for SSE/SE has created confusion over which legal procedures should be used and which type of support mechanisms/benefits could be utilized.

Therefore, the Palestinian government has to adopt some legislation to support the progress of the social economy. The legislations have to create a new legal form for SEs covering a broad range of purposes and activities. Accordingly, the Palestinian government may create an enabling environment to tackle barriers facing the social economy sector and achieve outcomes by tackling legal and regulatory issues and promoting social value in public sector procurement.

MEASURES TO BE IMPLEMENTED:

- Coordination and cooperation mechanism is needed to strengthen the role of SEs in Palestine to be effectively engaged for in socio-economic actions.

OTHER INTERESTING SUGGESTIONS/NOTES:

- There is no established official or widely used system for measuring and reporting social impacts in Palestine. Therefore, there is a need to support the sector in this regard.

IDENTIFIED CONFLICTING ISSUES (if any):

- The term Social Solidarity Economy and Social Enterprises is not popular in the Palestinian context. The social enterprise as an operator in the social economy with main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services to the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives.



- The current laws don't include any terms of Social Enterprises by definition. The Government deals with the SEs as either income generating and profit making operation and this is subject to all kinds of tax subject to the private sector regardless who own this operation even if it was a cooperative or NGO. And the development and solidarity and emergency intervention are usually done by non-profit companies or NGO and this is regulated by the relevant laws.
- Due to occupation, the role of non-governmental organizations as service organizations in the fields of advocacy, equality and others is increasing to the standard of those involved in socio-economic development.
- Currently there is no new registration for NGOs, those registered under this law are being monitored very closely in terms of funding and the scope of its operation by different government agencies. There are no in-between organizations merging social impact with generating profit, although recently there are new companies being established to have a social impact and to generate profits but they are registered as any other company without having any special treatment from the government.

EXAMPLES OF ACTIONS DEVELOPED IN THE FIELD OF SSE IN THE COUNTRY, REFERENCES AND HOW THEY HAVE BEEN DEVELOPED (if any):

There are many Social Enterprises that are present in one way or another in different forms such Non-Profit Company, NGOs, Cooperative, Zakat Committee and Social responsibility of public shareholding companies and other forms. These organizations are dependent on international assistance to implement SSE actions in different sectors (health, education, community development, etc.)

