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### ***Social Entrepreneurs' Responses to the Refugee Crisis in Jordan and Lebanon***

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## Executive summary

Following the outbreak of the civil war in Syria in 2011, an estimated 1.5 million and 1.3 million Syrian refugees sought a safe haven in Lebanon and Jordan respectively (Reuters, 2017; Ghazal, 2017). Considering that the population of Jordan is just under 10 million, and that of Lebanon – under 7 million (World Bank, 2018), this sudden and unexpected flow of refugees resulted in severe disruption, stretching the absorptive capacities of the two countries well beyond their limits, and necessitating massive relief efforts for refugees and host communities alike. In their efforts to manage the situation, the authorities in both countries have been supported by international community and civil society. Increasingly, private sector has been stepping in as well (Berfond et al., 2019). Among many institutions and individuals aiming to alleviate the situation, an increasing number of less traditional actors – social entrepreneurs – could be also observed.

Against this background, the main of this exploratory study was to explore the ways in which social entrepreneurs in Jordan and Lebanon have been helping to alleviate the refugee crisis in both countries. In our conceptualization of social enterprises (SEs), we followed an approach by Cerritelli et al. (2016), and instead of adopting a single definition of social entrepreneurship, understood SEs as entities possessing the following characteristics: i) primarily focus on the creation of social value rather than a purely economic one, ii) being financially sustainable or aiming at achieving that goal, and iii) self-identifying as a social enterprise. This approach was more inclusive of different types of socially entrepreneurial initiatives, additionally allowing for any differences that may occur between SEs based in the western countries and MENA region (as suggested, e.g. by Tauber, upcoming).

Our main finding, developed based on extensive literature review and stakeholder consultations (29 interviews with SEs and support organizations, a focus group, and a panel discussion during a workshop), is that although social entrepreneurs overcome numerous obstacles in order to achieve their goals, assessment of the real impact of their actions is not possible due lack of social impact measurement mechanisms in place. Judging their success is also impeded by the fact that the majority of the SEs examined is relatively young, being predominantly established within the past five years.

At the same time, we found that the anecdotal evidence does suggest that refugees in both countries benefit from the actions of social enterprises in a number of ways. Most notably, SEs are a source of employment opportunities, helping refugees to start new careers or resume the ones they had back in their home countries. The opportunities offered are especially valuable for female refugees, struggling to manage family-related responsibilities with work-life and facing various constraints of socio-cultural nature. SEs are uniquely positioned to assist with the labour market integration of the refugees as – unlike purely profit-oriented private companies – they can accommodate for their specific needs, focusing on the social impact of their work rather than just profit maximization (e.g. by providing free childcare for their female employees). Moreover, unlike non-profits, they can create sustainable jobs that do not (entirely) depend on donor

funding. Unfortunately, ultimately the degree to which the SEs succeed in their work to large degree depends on the labour market policies of their respective governments. The issue of granting work permits to the refugees is incredibly sensitive in Jordan and Lebanon, both struggling with high unemployment rates among the native population. Recently, especially the latter has been introducing measures that may prove extremely difficult to overcome for the SEs wishing to integrate the refugees to the local labour markets.

Another group of the SEs has been focusing on providing goods and services that would facilitate the everyday existence of the refugees (and other segments of the population): from providing innovative educational solutions, through developing sanitary provisions, to designing functional temporary shelters. They, too, have however been adversely affected by existing regulatory frameworks.

Overall, the SEs face various challenges related to bureaucracy and inadequate legislation, such as high taxes, complicated customs procedures, red tape, or overregulation. Importantly, lack of legal recognition of a social enterprise as a legal entity is a major impediment, forcing social entrepreneurs to choose between registering as i) for-profits and therefore forfeiting any tax deductions, opportunity to receive (tax-exempted) grants and donations, and other benefits that non-profit organizations benefit from, or i) non-profits, limiting their opportunity to generate income. Equally worryingly, the complexities of the existing legislation do not seem to be well understood by SEs and support organizations (SOs) alike.

Another major obstacle identified by the vast majority of interviewees was securing funding to develop and grow. With bank loans and microcredits were out of scope or out of the question, most of the SEs turned to grants – and personal savings – even if finding an investor was the preferable way of going forward.

Finally, lack of adequate assistance on behalf of the support organizations was an additional factor adversely affecting the SEs, who complained that incubation and acceleration schemes available were not tailored enough and imposed unnecessary constraints on their daily operations. While some SOs did acknowledge this problem, many saw social entrepreneurs as cavalier and unwilling to learn.

The social entrepreneurship ecosystem in Jordan and Lebanon, especially its segment working with refugees, is still relatively undeveloped, unstructured, and unorganized. However, it is quite clear that the potential to have a positive impact on the livelihood of refugees residing in both countries is real. While social entrepreneurship alone by no means the answer to the refugee crisis, in a conducive legislative environment it may become an important actor – especially thanks to the new technologies that allow the SEs to scale up their activities and potentially maximize their impacts.

## Résumé du rapport

Après le déclenchement de la guerre civile en Syrie en 2011, environ 1,5 million et 1,3 million de réfugiés syriens ont respectivement cherché refuge au Liban et en Jordanie (Reuters, 2017; Ghazal, 2017). Dans la mesure où la Jordanie compte près de 10 millions d’habitants et le Liban, moins de 7 millions (World Bank, 2018), l’afflux soudain et inattendu de réfugiés a bouleversé les capacités d’absorption de ces deux pays bien au-delà de leurs limites, tout en exigeant une aide humanitaire considérable, tant à l’égard des réfugiés que des communautés d'accueil. Dans leurs efforts visant à gérer cette situation, les autorités des deux pays ont reçu le soutien de la communauté internationale et de la société civile. De manière croissante, le secteur privé est lui aussi intervenu (Berfond et al., 2019). Parmi les nombreuses institutions et individus qui s'efforcent d'améliorer cette situation, un nombre croissant d'acteurs non-conventionnels, les entrepreneurs sociaux, ont pu être observés.

Dans ce contexte, l'étude exploratoire visait principalement à examiner la manière dont les entrepreneurs sociaux en Jordanie et au Liban ont pu aider à atténuer la crise des réfugiés dans les deux pays. Dans notre conceptualisation de l’entreprise sociale (ES), nous avons suivi une approche de Cerritelli et al. (2016). Au lieu d'adopter une définition unique de l'entrepreneuriat social, nous avons considéré les ES comme des entités présentant les caractéristiques suivantes : i) essentiellement axées sur la création d'une valeur sociale plutôt que sur la création d'une valeur purement marchande, ii) être viable financièrement ou chercher à atteindre cet objectif, et iii) s’identifier en tant qu’entreprise sociale. Cette approche a permis une meilleure représentation des différents types d'initiatives d'entrepreneuriat social, tout en tenant compte des différences qui peuvent exister entre les ES basées dans les pays occidentaux et celles de la région MENA (comme suggéré par Tauber, voir dans le développement).

Nos principales conclusions, élaborées à la suite d’une revue de littérature approfondie et de consultations auprès des différentes parties prenantes (29 entretiens avec des ES et organisations de soutien [OS], un focus group, et un groupe de discussion avec les parties prenantes lors d’un workshop) sont que, en dépit des nombreux obstacles que les entrepreneurs sociaux surmontent pour atteindre leurs objectifs, l’évaluation de l’impact réel de leurs actions est rendue difficile au regard de l’absence de mécanisme permettant de mesurer l’impact social de leurs actions.

Le fait que la majorité des entreprises sociales examinées sont relativement jeunes et qu’elles se sont établies pour la plupart au cours des cinq dernières années représente une difficulté supplémentaire pour mesurer leur succès.

Dans le même temps, nous avons constaté que les données empiriques suggèrent que les réfugiés des deux pays tirent profit des actions menées par les ES de plusieurs manières. En premier lieu, les ES offrent des opportunités d'emploi, aident les réfugiés à commencer une nouvelle carrière

ou à la reprendre là où ils l’avaient laissée dans leur pays d'origine. Les opportunités offertes sont particulièrement précieuses pour les femmes réfugiées, qui éprouvent des difficultés pour gérer à la fois responsabilités familiales et vie professionnelle tout en faisant face à diverses contraintes de nature socioculturelle. Les ES sont idéalement positionnées pour aider à l'intégration des réfugiés sur le marché du travail, car, à la différence des entreprises à but purement lucratif, elles peuvent satisfaire leurs besoins spécifiques en se concentrant sur l'impact social de leur travail plutôt que sur la focalisation du profit au sens strict (en offrant par exemple, des services de garde d'enfants gratuits à leurs employées). De plus, contrairement aux organisations à but non-lucratif, elles peuvent créer des emplois durables qui ne dépendent pas (entièrement) du financement de donateurs. Enfin, le degré de réussite des SE dans leur travail dépend, hélas, dans une large mesure des politiques relatives au marché du travail de leurs gouvernements respectifs. La question de l'octroi de permis de travail aux réfugiés est extrêmement délicate en Jordanie et au Liban, deux pays qui doivent déjà faire face à des taux de chômage élevés parmi la population native. Récemment, le Liban a notamment introduit des mesures qui peuvent s'avérer extrêmement difficiles à surmonter de la part des ES qui souhaiteraient intégrer des réfugiés sur les marchés du travail locaux.

Une autre catégorie d’ES s'est concentrée sur la fourniture de biens et de services qui permettraient de faciliter la vie quotidienne des réfugiés (et d'autres franges de la population) : de l'offre de solutions éducatives innovantes, en passant par l'élaboration de dispositifs sanitaires, jusqu'à la conception d'abris temporaires fonctionnels. Ces derniers ont toutefois, eux aussi, subi les effets négatifs des cadres institutionnel et réglementaires existants.

Dans l'ensemble, les ES sont confrontées à plusieurs défis liés à la bureaucratie et à une législation inadéquate tels que : des taxes élevées, des procédures douanières complexes, des formalités administratives ou une réglementation excessive. Il est important de noter que le manque de reconnaissance légale d'une entreprise sociale en tant qu'entité juridique est un obstacle majeur qui oblige les entrepreneurs sociaux à choisir entre s'enregistrer comme i) organisation à but lucratif et doivent par conséquent renoncer à toute déduction fiscale, à la possibilité de recevoir des subventions et des dons (exonérés d'impôt) ainsi que d'autres avantages dont bénéficient généralement les associations à but non-lucratif ; elles peuvent sinon s’enregistrer comme ii) des associations à but non-lucratif, ce qui limite leurs possibilités de générer des revenus. Tout aussi préoccupant, la complexité de la législation existante ne semble pas bien comprise par les ES tout comme par les organisations de soutien.

Un autre obstacle majeur identifié par la grande majorité des personnes interrogées était l'obtention d'un financement pour leur développement et leur croissance. Les prêts bancaires et les microcrédits étant hors de leur champ d’application ou inenvisageable, la plupart des ES se sont tournés vers les dons, et l'épargne personnelle, même si la recherche d'un investisseur est, pour elles, la meilleure façon de progresser.

Enfin, le manque d'assistance adéquate de la part des organisations de soutien a été un facteur supplémentaire qui a nui aux ES, qui se sont notamment plaintes du fait que les programmes

d'incubation disponibles étaient trop peu adaptés et imposaient des contraintes inutiles à leurs opérations quotidiennes. Alors même que certaines organisations de soutien ont reconnu ce problème, plusieurs considèrent que les entrepreneurs sociaux sont insouciants et peu enclins à apprendre.

Le monde de l'entrepreneuriat social en Jordanie et au Liban, et en particulier la section en charge du travail avec les réfugiés, est encore relativement peu développé, peu organisé et non structuré. Il est toutefois relativement certain que le fait de pouvoir avoir un impact positif sur les moyens de subsistance des réfugiés résidant dans les deux pays est réel. Bien que l'entrepreneuriat social ne soit pas la seule réponse à la crise des réfugiés ; à la faveur d'un environnement législatif favorable, il est susceptible de devenir un acteur important notamment grâce aux nouvelles technologies qui permettent aux ES d'intensifier leurs activités et de potentiellement maximiser leurs impacts.

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## List of Abbreviations

|        |  |
|--------|--|
| CSO    | Civil Society Organization   |
| EU     | European Union   |
| GDP    | Gross Domestic Product   |
| HRW    | Human Rights Watch   |
| ILO    | International Labour Organization  |
| JOD    | Jordanian Dinar  |
| LLC    | Limited Liability Company  |
| MENA   | Middle East and North Africa <sup>1</sup>                                      |
| MPC    | Mediterranean Partner Countries  |
| NGO    | Non-Governmental Organization  |
| OECD   | Organisation for Economic Co-operation and Development                         |
| SE     | Social Enterprise  |
| SO     | Support Organization   |
| UNHCR  | United Nations High Commissioner for Refugees                                  |
| UNICEF | United Nations Children's Fund   |
| UNRWA  | United Nations Relief and Works Agency for Palestine Refugees in the Near East |
| USA    | United States of America   |
| USAID  | United States Agency for International Development                             |
| USD    | United States Dollar   |
| VAT    | Value Added Tax  |
| WFP    | World Food Programme   |
| WISE   | Work Integration Social Enterprise   |

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<sup>1</sup> Understood as encompassing Algeria, Bahrain, Egypt, Iran, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates, and Yemen.

## 1. Introduction

Social entrepreneurship is gaining momentum all over the world, attracting increasing attention from investors and researchers alike. In the Middle East and North Africa (MENA), social entrepreneurs, “tackling social issues with a business-like approach” (Dees, 2001), have been working towards addressing issues such as water shortages, youth unemployment, or poor quality of public education. One of the most pressing problems troubling the region in the recent decade has been forced migration. Among those most affected have been Jordan and Lebanon, which welcomed almost 3 million Syrian refugees following the outbreak of the war in 2011. Against this background, in this exploratory study we examine the refugee-oriented social entrepreneurship scene in both countries, trying to understand whom, how, and with what results is applying social enterprise business model to alleviate the refugee crisis.

### 1.1. The refugee situation in Jordan and Lebanon

Jordan and Lebanon have both taken in significant numbers of refugees throughout the twentieth century with long-standing Palestinian refugee communities estimated at 450,000 for Lebanon and 2,000,000 for Jordan, according to the United Nations Relief and Works Agency for Palestine Refugees (UNRWA). This chronic refugee situation had suddenly become acute as of 2011, with the start of the ongoing Syrian conflict, when significant numbers of Syrian refugees started to flow into neighbouring countries.

The total number of Syrian refugees registered at the United Nations Refugee Agency (UNHCR) amounted to more than 5.5 million in July 2019. Of these, more than 650,000 Syrian refugees were registered in Jordan, and more than 900,000 were registered in Lebanon. The actual numbers of the refugees residing in both countries are estimated to be much higher, though. Back in 2017, the Lebanese government estimated 1.5 million Syrians were living in the country (Reuters, 2017), with the Jordanian authorities putting this number at 1.3 million (Ghazal, 2017).

Considering that the population of Jordan is estimated at just under 10 million, and that of Lebanon – under 7 million (World Bank, 2018), this sudden and unexpected flow of refugees resulted in severe disruption, stretching the absorptive capacities of the two countries well beyond their limits, and necessitating massive relief efforts for refugees and host communities alike.

Though the situation for Syrian refugees differs between Jordan and Lebanon, the realities of limited prospects for official employment due to work permit and residency restrictions apply to both countries. Furthermore, the type of grey market activity with unregulated commerce is common. This is particularly true within the hastily put together refugee camps on the Jordanian side, where under 20% of Syrian refugees are estimated to live (with the rest residing in urban areas [UNHCR]). The population of the largest one, Az-Zaatari, exceeded 150,000 in 2013 (approx. 80,000 in 2018). Lebanon has no official refugee camps for the Syrian refugees due to the official prohibition from the government, fearful that establishing them might encourage the Syrians to stay in the country permanently, just like the Palestinians did before them.

The World Bank (2016) estimates the cost of hosting the Syrian refugees in Jordan at 2.5 billion USD per year, constituting approx. 6% of the country’s gross domestic product (GDP). For Lebanon, the cost to the country in terms of slower GDP growth and lower fiscal revenues was estimated at 18.1 billion USD (for 2015) and 4.2 billion USD (2012-2015) respectively, or almost 30% of its GDP. Both countries experience serious funding gaps, estimated at over 50% and approx. 25% for Lebanon and Jordan, respectively (UNHCR, 2018).

In short, the situation on the ground is of refugee populations of diminished-to-non-existent livelihood prospects, living within host communities that are adversely affected, within countries that are incapable of self-funding required relief, and with major international aid organizations citing persistent budgetary gaps. This extreme situation created the opportunity for the rapid development of social entrepreneurship in Jordan and in Lebanon as a response to societal needs unmet through conventional channels.

As the host governments and international organizations struggle to manage the situation – even as increasing numbers of refugees are (voluntarily or not) returning home – new stakeholders have been stepping in to fill the needs gap, including social entrepreneurs.

## 1.2. Social Entrepreneurship

Social entrepreneurship is a fluid concept that is not fully developed despite a growing body of literature dedicated to it, with almost every author seemingly having their own definition. Indeed, individual papers identified as many as 37 different definitions (Zahra, 2009 and Dacin, 2010). Other studies argue against setting a standard definition in the Middle East and North Africa (MENA) region at all due to significant differences in contextual realities between individual countries, as well as insufficient interest to develop social entrepreneurship framework on the part of the institutional stakeholders (e.g. Cerritelli, 2016).

While activities understood today as “social entrepreneurship” are believed to have always existed in societies, the term itself was used for the first time in 1972 by Banks in his book *The Sociology of Social Movements* (Banks, 1972; Forouharfar, 2018). This term was put in practical use in the 1980s when Ashoka, a first support organization of this kind, was created around an idea that “the most powerful force for good in the world is a social entrepreneur: a person driven by an innovative idea that can help correct an entrenched global problem” (Ashoka, n/d).

Most of the current understanding of a social enterprise (SE) is either market-driven or innovation-driven (Jamali and Lanteri, 2015; Dees and Anderson, 2006), with some studies underlining its belonging to broader civil society (Nicholls, 2011; Edwards, 2011). In one of the first studies dedicated to SE in the MENA region, Abdou et al. (2010) defines it as “an organization with a clear social mission and a strategy that combines resourcefulness and innovation, which allows it to be financially sustainable” and a social entrepreneur – as someone using “business methods to achieve a positive and sustained social impact”.

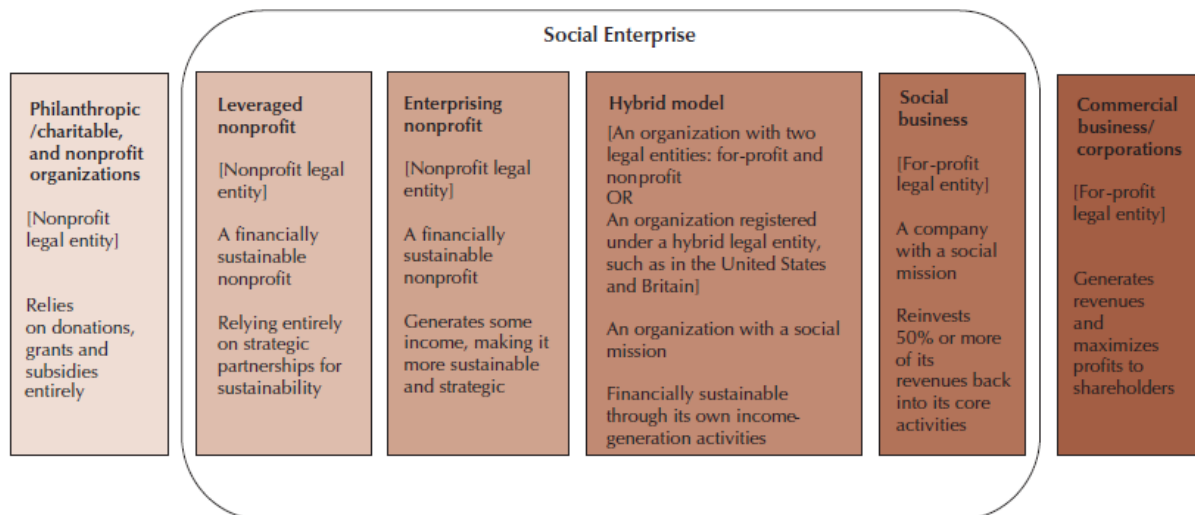
In a more policy-oriented effort, the European Commission (2011) defines SE as “an operator in the social economy whose main objective is to have a social impact rather than make a profit for

their owners or shareholders” which “operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities”.

Some authors, instead of devising concise definitions, opted for the creation of broader frameworks. The above-mentioned Cerritelli (2016) suggested one consisting of six parameters falling within three dimensions: social impact and social innovation (SE outcome dimension), financial sustainability and stakeholders’ participation (SE governance dimension), and SE integrity and ethical and environmental standards (SE agency dimension). This way of structuring the discussion around SE would, in the view of the authors, facilitate national-level discussions on more contextual definitions that would then serve as a starting point for the development of relevant legal frameworks governing SE in any given country.

Importantly, social enterprises operate under several different organizational and legal models. This varies from for-profit, through hybrid, and to non-profit models, and may be registered as non-governmental organizations (NGOs), or in any of a number of commercial enterprise forms such as joint-stock, LLC, or others (see more in Section 2.2 Legal Frameworks and Business Environment) (Abdou et al., 2010; Halabi, Kheir, Cochrane, 2017).

Figure 1 The Spectrum of Social Enterprises (arranged by legal form and revenue source)



Source: Abdou et al. 2010, p. 19

For the purpose of this report, we shall follow the above-mentioned framework developed by Cerritelli et al. (2016) and refrain from adopting or indeed coining a strict definition of a social enterprise. Within this approach, any entity whose i) primary focus is on the creation of social value rather than a purely economic one, ii) is financially sustainable or aims at achieving that

goal, and iii) self-identifies as a social enterprise, will be understood as a social enterprise. We believe that this approach is particularly suited for exploration of the SE ecosystem in the MENA region, where – as it has already been pointed out – no legal framework for social enterprises exists.

### 1.3. Literature review

There is a limited number of publications on SE in the MENA region, and those that are refugee-oriented are scarce. A brief description of two social enterprises working with and for refugees was reported by Halabi, Kheir, and Cochrane (2017), and a number of relevant case studies were explored by Berfond et al. (2019). The latter publication, focused on the role that the private sector, including social enterprises, can play in helping refugees around the world. The authors explored examples of successful social enterprises that, among other examples, help refugees to earn income (SEP Jordan), or deliver to them hygienic sanitation (Sanivation in camps in Kenya), clean cooking (Inyenyeri in Rwanda), and access to education (ITWORX in Lebanon and Luminus Education in Jordan). They concluded that apart from providing financial assistance, the private sector helps refugees in various parts of the world by “sharing capabilities (...), extending services (...), enabling employment (...), integrating into value chains (...), [and] building a business (...)” despite numerous obstacles that businesses have to face, such as lack of adequate information and means of engaging refugees and insufficient coordination between various stakeholders. Finally, Lasic (2018), in a thesis defended at the Boston College (USA), looked into how digital social entrepreneurs tackle the problem of intimate partner violence among Syrian refugees in Jordan.

In general, most researchers, who explored the social entrepreneurship scene in the MENA region, believed it had been steadily expanding. Indeed, while back in 2010 Abdou et al. estimated that there were 78 “globally recognized and awarded social entrepreneurs” functioning in the region, six years later Al Nasser (2016) believed there were approximately 100 such organizations in Jordan alone. Some countries in the region (United Arab Emirates, Saudi Arabia, Egypt, and Turkey) have even been dubbed “gaining momentum” as the best places for social enterprises (Thomson Reuters, 2016). At the same time, however, compared to the rest of the world, the MENA region admittedly falls behind, with both entrepreneurship and social entrepreneurship ecosystems insufficiently developed.

Another strand of literature focuses on the exploration of the various aspects related to social entrepreneurship in selected countries across the MENA region. Most recently, Tauber (2019) looked into the ways in which foreign aid impacts social enterprises in Jordan. She found that social entrepreneurs in the country avoid receiving foreign aid, which they see as negatively affecting their companies “sustainability, continuity, and operational integrity,” and prefer to implement independent or at least hybrid funding models whenever possible. As such, she argued that they are “better equipped to address community issues” than other non-governmental and

civil society organizations operating in Jordan,<sup>2</sup> crucially because their functioning (in terms of the scope and duration of their actions), does not depend on the current programming and priorities of donor organizations. In that sense, they are better poised to represent the local society and not the projected vision of the local society as held by the international community.

In a related, upcoming study, Tauber used a case study of Jordan to explore the role of social enterprises in authoritarian settings in the developing world. She distinguished between two different types of SEs: those providing goods and services (product- and service-oriented social enterprises [PSSEs]) and those supporting structural changes in their countries (structural transformation-based social enterprises [STSEs]). She found that the main impediments for the functioning of the former group (among which the SEs of interest to the present study fall) are government policies, difficulties in securing funding, and “issues related to the prerequisite of *wasta*” (connections). She argued that, unlike SEs operating under non-authoritarian, developed settings, PSSEs in Jordan were not necessarily fully self-sustainable and independent (which is a pre-condition for an institution to be deemed a social enterprise according to the Western definition). In her view, “(...) social enterprises’ chances of achieving their objectives without external interference and functioning as truly community-responsive civil society organizations, rather than being beholden to the demands of the regime and the international community, are slim. Most Jordanian social enterprises (PSSEs) are ultimately extensions of the regime’s neopatrimonial rule, and only select few (STSEs) function independently”.

Her findings are in line with the earlier work of Al Nasser (2016), who argued that civil society organizations (CSOs) structured as social enterprises rather than traditional NGOs – and as such endeavouring to generate their own income rather than depending on foreign or domestic assistance – were in a much better position to identify and address the need to the local communities. The author noted that that “[t]ensions and mistrust between civil society and government officials undermine the potential for new initiatives to expand and develop” and recommended that more effort should be made towards creating dialogues between the two sides, but also “the private sector and established civil society bodies such as RONGOs [Royal NGOs, author’s note]”. Much like Tauber, she believed that the main problems that CSOs (which in her paper are understood as SEs) are facing are lack of funds, government policies (related to registration procedures and control exerted by the ministries over the civil society), and need for connections (“[i]n Jordanian society, personal influence and connections still override the rule of law”).

A similar list of obstacles was developed earlier for Lebanon by Feghali, Abuatieh, and Dandan (2012), who added to that “cultural conflicts, and gender biases”. They stressed the need to develop social awareness around social entrepreneurship and to create a structured network of social entrepreneurs that could “lobby (...) provide leadership and consulting, and form partnerships” on their behalf. At the same time, they argue that “as opposed to other countries in

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<sup>2</sup> Tauber considers SE part of the civil society. This is in line with arguments by some scholars, such as Nicholls, 2011 (Nicholls, A. (2011) ‘Social enterprise and social entrepreneurs’. In Edwards, M. (ed.), *The Oxford Handbook of Civil Society*. Oxford: Oxford University Press, pp. 80–92.), although such classification is under debate.

the Arab region, while SEs in Lebanon have more of a voice in the country, on the other hand, they become the ‘crutch’ for the government, leaving SEs to deal with social problems that the government is otherwise choosing not to address”. Their findings were in line with those presented by Doumit and Chaaban (2012) as a result of discussions held with representatives of SE ecosystem during a number of events between 2010 and 2012. Incompetency of the government in addressing the socio-economic needs of the Lebanese people was among the main drivers that listed behind the development of SE in the region, alongside high unemployment rates and sustainability challenges facing NGOs (but also long-established tradition of private entrepreneurship). Among the main challenges facing SEs in the country the authors listed lack of funding, adequate regulations (including taxes and lack of a formal legal category such as “social enterprise”), and ecosystem support. While laying out a set of recommendations to address the obstacles identified, they underlined their belief that “[s]ocial Entrepreneurship as a practice is not new but rather an ancient feature of Lebanon’s economy, society and governance.” Another interesting finding regarding SE scene in Lebanon was delivered by Wahidi and Lebègue (2017), who explored female social entrepreneurs working with low-skilled women in the country and found that the women they interviewed believed that “social entrepreneurship is risk-free work, unlike non-social entrepreneurship” (though they offered no explanation as to why this might be the case).

Challenges facing SE in Jordan and Lebanon outlined above were similar to those identified in other countries in the region. Indeed, Kuhle et al. (2013), drawing from a series of interviews and a workshop organized in Tunisia, underlined foremostly difficulties in accessing funding and lack of appropriate infrastructure, as well as limited social awareness of what SE is (although he did, much like Doumit and Chaaban [2012] mentioned above, believe that SE is “a concept anchored” in the local society). In Algeria, Jebari (2016) listed limited access to funding, impact maximization, and scaling up of small initiatives, with red tape and lack of adequate legal framework being other obstacles. He did, however, underline the increasing popularity of SE in the country as way of dealing with unemployment and austerity for young people in Algeria, despite SE being at the risk of “being unfairly targeted by the authorities”, “captured by a small fringe of beneficiaries, or made to serve regime interests.”

The final strand of the literature of relevance to the present study approaches the topic of social entrepreneurship from a broader, regional perspective. One of the first reports of this kind was compiled by Ehaab Abdou et al. (2010), who focused predominantly on solutions addressed at young people in the MENA region, or at the potential of social entrepreneurship to “capitalize on the youth bulge”. The authors characterize a typical social entrepreneur as a young, well-educated person, very active from early childhood, having a good understanding of local realities coupled with experience living, working or studying abroad, and a specific mindset focused on innovation and “pursuing systemic change.” They also highlight the crucial role that institutional actors – governments, private sector, support organizations, international institutions delivering development aid, and higher education institutions – play in creating a “conducive (...) environment” for SEs to thrive in. This assistance is especially crucial in light of obstacles that



the early SEs in the region were facing (“some of which (...) common with their counterparts globally, and others (...) more unique to the environment in the region”), mostly in line with the ones already mentioned above while discussing findings of other (even more recent!) studies.

Similar challenges were also listed by Buckner, Beges, and Khatib (March 2012) in their “post-Arab Spring” report (based on a survey conducted among 12,000 people in 18 Arab states), who at the same time underlined the existence of a “strong foundation for social entrepreneurship in the Arab region” due to factors such as growing interest in starting one’s own business, as well as in volunteering and contributing to improvement of well-being of one’s community, and relatively widespread awareness of the concept of social entrepreneurship (a finding contrary to that of all other reports reviewed for the present study and probably – as admitted by the authors themselves – resulting from a specificity of a sample selected).

The potential of the social economy to boost the creation of new jobs and inclusiveness in the region<sup>3</sup> was in turn explored in a report published by FEMISE network (2014). The authors find that ca. 4% of the population in Egypt, Morocco and Tunisia was directly employed in social (or community-oriented) economy (even as its contribution to the GDP was just 1-2% annually). The report outlines a set of recommendations that could help overcoming main obstacles facing social businesses, such as difficulty in accessing funding and well-qualified personnel, as well as lack of public awareness and institutional support. One of the main ideas the authors elaborated on is establishment of national ethical banks dedicated to supporting the development of social economy – alongside strengthening financial support from the private banking sector and private and institutional investors – as well as development of support mechanisms by local and national authorities (including introduction of relevant legislation and tax incentives) and international institutions.

Under a similar vein, the aforementioned Halabi, Kheir, and Cochrane (2017), summarized the finding of their research by stating that “[p]aradoxically, for Arab Social Entrepreneurship, the region offers all the market conditions for growth and all the barriers to it.” The barriers identified by them are – as they admitted themselves – very much the same as the ones first outlined by Ehaab Abdou et al. back in 2010. The authors stressed that even as the social entrepreneurship scene has significantly developed since that time, various stakeholders in the ecosystem (international donors, national authorities, institutional investors) failed to adapt their approach to the changing realities and develop an efficient and effective support network in support of the social economy. These findings were confirmed by Schreiner and Junge (May 2018) in their brief overview of social entrepreneurship (social innovation) in the region.

A more detailed overview of the institutional environment surrounding social entrepreneurs in the MENA region was prepared by Forouharfar (2018), who classified various “governmental social entrepreneurship strategies” (aggressive, defensive, proactive, cooperative, competitive, or co-optative), stressing that governmental engagement can be both conducive to and hindering the development of social economy. He classified governments in Lebanon and Jordan as employing

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<sup>3</sup> In Mediterranean Partner Countries: Algeria, Egypt, Jordan, Lebanon, Tunisia, Morocco, and Palestine.

a “global citizen strategy (...) pave[ing] the way for better nourishment and growth of SE” and encouraging their cooperation with international institutions (an approach influenced by large numbers of refugees residing in both countries).

An earlier, but more extensive study by Cerritelli, Doumit, Menhall, and Samad (2016), similarly underlined a vital role that government policies can play in the development of SE in the MENA region<sup>4</sup>. The authors mapped key trends and actors, reviewed relevant policy frameworks, identified challenges to SE development in the region and provided a detailed analysis of SE sector in each of the countries under analysis. They underlined that while “[s]ocially entrepreneurial initiatives have always existed in practice in the region”, the awareness of SE as a concept remained low and limited to well-educated, younger and more well-off segments of the society, and as such must be worked on (a point made by Doumit [2017]). Other recommendations included providing more governmental and financial assistance tailored to the needs of SEs, as well as investing in capacity building of social entrepreneurs. The authors believe that despite numerous risks (such as unstable socio-political and business environment, red tape and corruption), the potential for the development of SE in the region (especially in Tunisia, Morocco, Lebanon and Palestine, with Jordan, Egypt and Algeria facing more barriers) is high. Much like Buckner, Beges, and Khatib (March 2012) before, they attributed this to increasing interest in both volunteering for the benefit of one’s community (partly due to the post-Arab Spring effect) and in establishing one’s own business (coupled with high unemployment rates, especially among youth, in the region), as well as growing (if – as already mentioned – still limited to specific sectors of the society) awareness of “entrepreneurship in both the business and social sectors”.

Another extensive overview of SE in the MENA region can be found in two volumes edited by Jamali and Lanteri (2015). In the first volume, various contributing authors presented a survey of the SE ecosystem in the region from a historical perspective (Bibars) and against the socio-political and economic realities of the countries in the region (Greenwald and Constant, 2015). They evaluated the potential of SEs to positively affect inclusive and sustainable growth (Zanganehpour, and Hill and Nocentini) and situation of the youth, as well as looked into ways of impact maximization of SEs (Nabti) and synergies between SEs and investment opportunities in the region (Wyne and El Idriss). Finally, they explored the ways in which the Arab diasporas could contribute to the development of social entrepreneurship in MENA. The second volume was mostly dedicated to specific country case studies for Egypt, Lebanon, Morocco, Tunisia, and Saudi Arabia. For Lebanon, Sfeir mapped incubators and funding institutions, Chahine and Mowafi compared the main obstacles and opportunities between SE in the country and in Egypt, and Hmayed explored the case of the first social enterprise incubator in the region, *nabad*, launched in 2013 in the country by Arcancie in partnership with Beyond Reform & Development (part of BRD/I Group SAL) thanks to funding provided by the United States Agency for International Development (USAID) through the Promoting Active Citizen Engagement (PACE).

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<sup>4</sup> In Algeria, Egypt, Lebanon, Jordan, Morocco, Palestine and Tunisia.

Overall, although the authors painted an encouraging picture of a “soaring interest” in SE in the region and its potential to help alleviate some of the most pressing socio-economic maladies (mostly in fields of education, healthcare, and women empowerment) they enumerated multiple “enormous salient challenges and constraints” (such as limited access to finance, political instability, brain drain, legal restrictions, and bureaucracy, as well as slow internet and poor infrastructure) that prevent SE from fully realizing this potential.

Finally, in Chapter 4 of a recent report by the Forum EuroMéditerranéen des Instituts de Sciences Economiques (Augier et al., 2019), Tsakas and Moukaddem explore the potential of social entrepreneurship to contribute to development of the private sector in the South Mediterranean and to support growth and employment in the region. The strength of the report lies in the fact that apart from taking stock of obstacles facing the SEs in the region (lack of funding, inadequate legislative frameworks, absence of social innovation ecosystem), the authors provide a list of possible solutions as to how to support the development of social entrepreneurship, highlighting the potentially important role of social banking.

#### 1.4. Legal framework and business environment

The World Bank’s Doing Business project ranks Jordan and Lebanon at 104<sup>th</sup> and 142<sup>nd</sup> respectively out of 190 countries (World Bank, 2019). Jordan fares particularly poorly in assessment factors including resolving insolvency, getting credit, and protecting minority investors. Lebanon does not experience similar problems but also was critically assessed in terms of ease of starting a business (at 146<sup>th</sup> globally). Such a prohibitive business environment, particularly towards start-ups, is in stark contrast to the ubiquitous entrepreneurial activity in each of the two countries.

Figure 2 Potential for Social Business Ecosystem Development

| Countries | Public Awareness   | Government Engagement   | Access to Social Business Support   | Access to Financing Mechanisms                  | SE Networks and Collaboration  |
|-----------|--|---|---|---|--|
| Lebanon   | There is a certain level of awareness of the concept and many social enterprises are recognized by the actors, but mainly in urban areas | There is no policy dialogue within a weak government but a limited dialogue within civil society                | Nascent and limited SE service providers in addition to SE programs within existing entrepreneurship services | Limited availability of SE financing mechanisms | Absence of active networks and collaborative platforms with limited outreach |
| Jordan    | There is a certain level of understanding within limited population and few social enterprises are recognized by the actors              | There is no policy dialogue within a centralized government and minor dialogue initiatives within civil society | Limited SE programs within existing entrepreneurship service providers  | Limited availability of SE financing mechanisms | Unidentified networks and collaborative platforms                            |

Source: Cerritelli, Doumit, Menhall, Samad (2016)

## Jordan

There is no separate regulatory framework for SE or entrepreneurship in general in Jordan. As such, SE activities fall under general laws and provisions, despite potential conflicts between the legislation not recognizing the hybrid nature of SEs and their statutory activities. As commercial entities, SEs operate within one of the legally recognised legal structures of corporations and may also be registered as non-profits. As civil society organizations, they operate under the provisions of relevant laws, namely the Jordan Companies law of 1997 and the Civil Societies Law of 2008, even though the range of commercial activities that they can legally pursue under these laws is limited.

In Jordan, the initial steps of registering a business are relatively simple and the country ranked 106 out of 190 countries for starting a business according to the World Bank’s Doing Business Report (2019). Privately held companies can fall under one of few basic legal structures including:

- Establishments and General Partnerships: the simplest forms of corporations, where the business owner(s) do not enjoy limited liability and are personally liable for all costs incurred by the business.
- Limited Liability: a more sophisticated form of a corporation where the owner(s) enjoy protection of limited liability.

- Limited Partnerships: a hybrid structure where some partners enjoy limited liability and others do not.
- Private Shareholding companies: these are the most sophisticated structure of limited liability corporations according to Jordanian law and are governed by internal charter and regulations allowing for different classes of shares as well as a protection for the rights of owners of minority stakes.

Furthermore, Limited Partnerships and Private Shareholding companies can both be registered as non-profits, allowing them to receive donations and grants. As such, the legal infrastructure for Jordan businesses is reasonably well developed.

The alternative legal pathway of setting a non-governmental organization introduces alternative complexities and limitations in terms of permissible activities. There are three available legal forms for civil society organizations (CSOs) in Jordan.

- Society: Activities conducted on a voluntary basis. Registered and supervised by the competent ministry to which their activities are related. Benefits from tax exemptions and charitable status. Charitable status needs to be recognized by the Council of Minister. Eligible to receive local, foreign and public funding (after notifying the Council of Minister).
- Closed Society: Financial resources are limited to the funds given by the founding members. Register upon the approval of the Council of Ministers and only has access to the financial contributions of founders.
- Private society: (Between 3-20 members) approval of the Council of Ministers is required. Eligible to receive local, foreign and public funding (after notifying the Council of Minister)

Jordan allows not-for-profit organizations from outside Jordan to establish branch offices.

Though it appears that the legal situation is relatively mature, unpublished ongoing research conducted by the Royal Scientific Society and supported by the European Union in the “The Next Society” project identified a heavy regulatory burden as a major hinderance for start-ups in Jordan. Vocational licences and regulations relating to foreign capital are examples of regulatory burdens that are particularly limiting. Furthermore, there is a minimum capital requirement for private shareholding companies that prevents start-ups from utilizing this preferred legal structure.

Social enterprises, in particular those founded by refugees, face all these regulatory difficulties with an added level of complexity. For example, a for-profit company cannot accept donations or grants, and non-profit companies must go through complex regulatory processes. It is notable that more advanced Jordanian entities pursuing profit within a potentially non-profit oriented industry will establish a dual structure of a for-profit company operating alongside a non-profit company or civil society organization, complicating the matters even further.

## Lebanon

In Lebanon, much like in Jordan, there is no separate regulatory framework for SEs or indeed for entrepreneurship in general. As such, SEs’ activities fall under general laws and provisions, namely the Lebanese Commercial Law of 2007 and the Societies’ Law of 1909.

As it has already been mentioned, registering a business is a particularly complicated procedure in the country. Unusual complications arise from the need to retain a lawyer for any limited liability company, with further steps needed at the commercial court, the social security fund, and the Ministry of Finance, among others. Capital limitations are lower than those imposed in Jordan, although they remain potentially prohibitive for entrepreneurs in general.

As commercial entities, SEs operate within one of the available legal structures of corporations including:

- Partnerships: these include normal partnerships where partners remain personally liable, and partnership in commendam where some partners have limited liability.
- Limited Liability Company (S.A.R.L.): similar to the structure explained above.
- Joint Stock Company (S.A.L): similar to the Private Shareholding structure presented above.

The non-profit classification is not available in Lebanon despite calls made by the social entrepreneurs. However, it must be noted that, unlike in Jordan, it is legally permissible for a Lebanese for-profit corporation to accept donations or grants, albeit under unfavourable taxation arrangements. Civil society organizations can operate in Lebanon, though their operations are under tighter scrutiny by the authorities.

Lebanese companies generally follow similar legal structures as those in Jordan and, though capital limits on Joint Stock Companies are lower, the same problems as described above persist.

Though Lebanon is generally liberalized in terms of foreign ownership of enterprise, a recent policy from the Lebanese government calls for stricter control over residency and work permit requirements for refugees. Though the exact implications of this measure remain to be seen, it is anticipated that it may adversely impact refugees in terms of livelihoods in general, and entrepreneurial activity in particular.

## 2. Methods

The main goal of the present report was twofold: firstly, to explore the refugee-oriented social entrepreneurship scene in Jordan and Lebanon. Secondly, to understand what potential social enterprises in both countries have to alleviate the effects of the refugee crisis. That said, it must be underlined that due to the relative novelty of the topic of the refugee-oriented social entrepreneurship, the study is necessarily exploratory and its results are not representative and should not be generalized.

In order to achieve our goals, we first conducted extensive desk research. Because of the specificity and novelty of the subject, apart from utilizing traditional resources such as books, reports, and academic papers, we made extensive use of journalistic pieces published online in Arabic, English and French: newspaper articles, blog entries, podcasts, YouTube videos, and social media (Facebook, LinkedIn, Twitter) posts. Such an approach allowed us to access the most up-to-date information on the key actors in the social entrepreneurship scene in both countries and better understand the local ecosystems. Moreover, it facilitated the creation of a draft stakeholder map and a long list of prospective interviewees.

In order to gather preliminary feedback from stakeholders, RSS organised a focus group on April 18<sup>th</sup>, 2019 in Amman and a panel discussion during a workshop *Social Entrepreneurship in the MENA Region: Inclusiveness and Growth*, held on April 7, 2019 in Amman, Jordan<sup>5</sup>. The focus group helped us to validate the questionnaire developed for the study on the basis on the social lean canvas framework, adapted from Ash Maurya’s Lean Canvas<sup>6</sup> on the basis of Alex Osterwalder’s Business Model Canvas<sup>7</sup> (see Table 1).

*Table 1 The Social Lean Canvas*

|  |  |  |   |   |
|--|--|--|---|---|
| <b>PURPOSE</b><br><i>Your reason for doing this venture, clearly defined in terms of the social or environmental problems you want to solve.</i>                                   |  | <b>IMPACT</b><br><i>What is the intended social or environmental impact of your venture?</i>   |   |   |
| <b>PROBLEM</b><br><i>What are the specific problems each of the different customer types face?</i><br><br>Existing<br>Alternatives<br><i>How are these currently being solved?</i> | <b>SOLUTION</b><br><i>What is your product or service?</i>                                       | <b>UNIQUE VALUE PROPOSITION</b><br><i>What is the unique combination of benefits your product or service will offer to overcome problems the customer has?</i> | <b>UNFAIR ADVANTAGE</b><br><i>Why will this venture succeed ahead of the competition?</i> | <b>CUSTOMER SEGMENTS</b><br><i>Who do you need to move to make your business model work?</i><br><br>Early Adopters<br><i>Which customers will move first?</i> |
|  | <b>KEY METRICS</b><br><i>What are the numbers that will show your business model is working?</i> |  | <b>CHANNELS</b><br><i>How will you reach your customers in a scalable way?</i>            |   |
| <b>COST STRUCTURE</b><br><i>What are the major costs associated with running this social enterprise.</i>   |  | <b>REVENUE STREAMS</b><br><i>What are the ongoing flows of income that will create financial sustainability for this venture?</i>                              |   |   |

Source: Social lean canvas are licensed under the Creative Commons Attribution-Share Alike 3.0 Un-ported License <https://socialleancanvas.com/>

Altogether, between 17 April and 31 August CASE and RSS interviewed 14 social entrepreneurs and 15 representatives of support organizations (accelerators, incubators, donors, consultancies

<sup>5</sup> The workshop was co-financed by the RSS and FEMISE. Participants included representatives of RSS, CASE, and FEMISE, as well as representatives of Jordanian civil society, private sector, and government, as well as international organizations.

<sup>6</sup> [www.leancanvas.com](http://www.leancanvas.com)

<sup>7</sup> [www.businessmodelgeneration.com](http://www.businessmodelgeneration.com)

working with entrepreneurs, business angels, etc.). As is a common practice in case of exploratory studies, all interviews were semi-structured to allow for additional comments from the interviewees. The interviews were conducted face-to-face or through skype or phone, and were all transcribed and coded. The interviewees were identified during a desk research stage and via snowball sampling.

While the majority of interviewees agreed to be mentioned in the report by name (for a list of names, please go to the Annex), some wished to remain anonymous. As such, we made a decision not to attribute the quotes used throughout the report to any particular interviewee, with the exception to sections focusing on particular case studies. The case studies themselves were selected based on the following factors: relevance to the report, willingness of a given entrepreneur to share their story, and the amount of information on the company gathered during the interview and desk research.

### 3. SEs working with the refugees in Jordan and Lebanon – Facts, Aspirations, and Challenges

Out of 14 social entrepreneurs that were interviewed for this study, half were female, and half were male. Achieving this kind of gender balance – while most welcome – was not intentional, but rather a resultant of self-selection among the potential interviewees and the apparently more substantial number of female social entrepreneurs that was suggested by the previous research (e.g. Halabi, 2017; Jamali and Lanteri [eds.], 2016; Abdou et al., 2010). The age structure of the interviewees likewise differed from that of entrepreneurs consulted for most of the other studies on the topic: three were in their twenties, five – in their thirties, three were aged 40-50, and three were older than 50 (previous research suggested SE are mostly run by people under 35 years of age). In line with findings of the previous research, however, they all possessed some form of higher education (BA, MA, or PhD degree). With the exception of two Europeans, the social entrepreneurs we talked to (as well as the vast majority of their co-founders) were nationals of Jordan, Syria, or Lebanon.

The social enterprises themselves were relatively young ones. Indeed, only three have operated for more than five years, half were created in or after 2017. In terms of the size, half were micro-companies with ten or fewer employees (including full time and part-time workers) and the other – small enterprises with under 50 employees<sup>8</sup>. Five of the SEs examined for the purpose of this study were set up in Lebanon and nine in Jordan. All but one have already been incorporated. Those registered in Jordan were almost uniquely LLCs (limited liability companies) and those in Lebanon – SALs (Société Anonyme Libanaise or joint-stock companies). Only one SE, based in Lebanon, was registered as an NGO (outside of the MENA region). Most operate only in their

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<sup>8</sup> This number includes only core staff of the company to the exclusion of persons whom the given SEs contracts or employs as “freelancers”. This is mostly applicable to SEs that work with cooks, artisans, housekeeper, stylists etc. acting as intermediaries between them and the end client.



countries of domicile, few had brunches or offices in other countries in the region or in Europe, with three offering their products globally.

All social entrepreneurs, with the exception of one who registered their SE as an NGO, established their enterprises as for-profit businesses (“social businesses” according to the classification by Abdou et al., 2010). Although the choice of the type of legal entities in which their business was to be conducted was dictated by the limitation of the legal framework of their country of domicile (see more in Section 2.2), running companies rather than philanthropic organizations or NGOs was a deliberate decision dictated by a belief that it was the only way of achieving sustainable impact. As one of the interviewees put it, “a social enterprise must be run like a business, not like a charity”. This is mostly in line with finding of Halabi (2017), who argued that most (59%) SEs in the MENA prefer to register as LLC or joint-stock companies, with remaining ones being sole proprietorships (14%), NGOs (9%), foundations (5%), cooperatives (4%), or remaining unregistered.

### 3.1. Regulatory frameworks

Lack of recognition of a social enterprise as a fully-fledged legal entity and the resulting lack of legal framework allowing for an establishment of a hybrid legal entity was seen as an important – albeit not impassable – obstacle by many social entrepreneurs. Additionally, the interviewees bemoaned numerous problems related to bureaucracy and inadequate legislation, such as high taxes, complicated customs procedures, red tape, or overregulation. Worryingly, social entrepreneurs (as well as representatives of support organizations) seemed to have limited and sometimes outdated knowledge of the rules and regulations that they were supposed to follow.

A good illustration of that may be problems encountered by two social enterprises operating in the field of offering homemade food to clients via online applications, Bilforon based in Jordan and Crave Home based in Lebanon, which experienced problems working with home-based chefs. In Jordan, as of recently home chefs can register their home-based businesses. However, with governmental employees not always fully aware of the new laws, the registration process proved to be time-consuming and burdensome. Additionally, requirements on the part of the Jordan Food and Drug Administration (JFDA), such as necessity to own kitchen equipment separate from that used by the families on a daily basis, created significant obstacles for the home chefs who could not afford to purchase additional fridges and ovens. In Lebanon, on the other hand, Crave Home struggled with nonexistence of legislation regulating health and sanitation standards applicable to home-based cooks, forcing the SE to create their own set of guidelines to be followed by their contractors.

Two-thirds of social entrepreneurs interviewed indicated they would appreciate some kind of support in advocating with governmental bodies to tackle these problems – even as many were pessimistic regarding the outcomes of such efforts, feeling that their respective governments are not necessarily interested in effective cooperation with the private sector.

### 3.2. Funding

The main challenge for the social entrepreneurs interviewed was achieving financial stability. Securing funding to develop and grow was pointed out as the number one challenge for all but one interviewee. Bank social (“if you don’t have [business] traction, you won’t get anything”) or out of the question (“I don’t like this kind of commitment”, “They have high credit rates (...). I don’t need that in my life.”) for them – not a single one among the interviewees made use of banking instruments and most believed them to be difficult and impractical to obtain in their respective countries. Equally unpopular were social investment and crowdfunding, with the former being used by none of the interviewees and the latter – just by one individual.

The primary source of funding for the SEs were grants. Indeed, all but one entrepreneur made use of them, even though some complained that applying for them was time-consuming and they guaranteed “no continuity” of funding. Indeed, many entrepreneurs recognized that donors’ interest and priorities change with time and following them can be detrimental to their businesses’ long-term sustainability.

Additionally, the majority (all but three) of the social entrepreneurs used personal savings to start their businesses. This to some degree confirms findings of some previous studies (see e.g. Wageih, Ashraf and Zoheiry, 2018; Schreiner and Junge, 2018), which found that in order to start an SE half of the entrepreneurs received seed funding or won a competition, but over one third (36%) also invested their own money (with 14% finding an institutional investor).

Finding private investors was the preferable way of securing funds by many social entrepreneurs. However, this was made difficult by the fact that, in their opinion, investors were wary of investing in countries like Lebanon and Jordan because of lack of “stable and clear” legislation and small size of the market. On top of that, according to social entrepreneurs, investors have problems understanding social enterprise business model and preferred to be involved in regular, profit-oriented businesses. As one entrepreneur stresses, although “investors are there, (...) attracting [them] that is difficult”.

While most social enterprises interviewed generated income by selling their products and services, few were close to achieving profitability, and only one reported being fully financially independent. Because of that, many declared they and their co-founders work for free and/or only get reimbursed for the costs of business travel or other work-related expenses. This, and the fact that they did possess financial resources to invest in kicking-off their businesses – as well as were a position to continue education on tertiary level – largely confirms the findings of some other reports suggesting that it is predominantly (upper) middle class which social entrepreneurs hail from.

### 3.3. Institutional Support

One popular form of securing support, financial or otherwise, was applying for acceleration or incubation – a path chosen by all but one social entrepreneur. Under the acceleration/incubation

programmes, SEs benefited from investment, mentorship, access to free office space, networking opportunities, and other services. Half of the interviewees worked with mentors and four – with business angels as well. Significantly less popular was participation in training offered by international organizations, with only one person receiving training from a local NGO/CSO and no one reporting being trained by a governmental organization of their country of domicile.

The feedback from the beneficiaries of various abovementioned types of support organizations was mixed. While social entrepreneurs appreciated many aspects of the incubation, acceleration, and mentorship programmes (access to networking was, for instance, highly valued by many), a significant number felt that – over time – the value-added from being part of them decreased. The main criticism was that the offer was not tailored to individual entrepreneurs needs, with programmes being repetitive and generalist. Only half of the social entrepreneurs reported they felt they were still in need of additional business skills, albeit mostly under the spirit of “you can never learn enough”, and only three wanted to discover new management tools. Some complained about restrictions imposed by providers of support programmes, e.g. requirement to spend a certain amount of time in a designated office space, exclusion of salaries and wages from a list of expenses reimbursable under a given scheme, or coverage of pre-tax expenses under a grant only (forcing entrepreneurs to pay VAT, customs duties etc. themselves).

Another issue, mentioned by one social entrepreneur and hinted at by another, was the approach towards crediting their achievements adopted by some of the support organizations operating in the broader MENA region. Based on their account, they were offered places under two different acceleration schemes on condition that their innovation was promoted in public as developed under and thanks to that particular programme, even though the product was designed and created beforehand (“They want all the credit”).

### 3.4. Challenges specific to working with the refugees

While the above-mentioned challenges might be familiar to all social enterprises – or indeed to all enterprises in general – a separate set of problems was related to the fact that their businesses were at least to some extent refugee-oriented. Indeed, while only three out of fourteen SEs explored specifically focused on refugees (and only one worked exclusively with them), the majority was to a smaller or larger degree impacted by issues such as difficulty to employ refugees, restricted access to refugees camps, or fragile mental state of the refugees, oftentimes suffering from post-traumatic stress disorders and other mental health issues.

A common problem experienced by many social entrepreneurs has been the difficulty of employing refugees, described by one of the interviewees as a “legal nightmare”. While the situation differs between Jordan and Lebanon, navigating the legislation is always a problem. Some companies in both countries contract refugees as “freelancers” in order to avoid going through lengthy and complicated procedure of securing a work permit, required to employ them on a regular job contract. It is unclear, however, whether this practice will be allowed to continue

in Lebanon, where the authorities have recently been enforcing new work permit laws and fining businesses employing those foreigners who do not possess them.

Prospective employers of refugee workers face fewer problems in Jordan, where securing a work permit is relatively easier. Moreover, as of August 2017, Jordanian citizens can register small home-based businesses, including as individual establishments whereby the maximum number of employees (including the owner) does not exceed three. Home-based businesses are excluded from compulsory social security contribution. However, with the minimum capital of JOD 1,000 required not everyone can afford the procedure. Moreover, each business owner needs to obtain a vocational license from their respective municipality. Finally, it is not clear whether these laws definitely do apply to Syrian refugees, with conflicting opinions issued by different interviewees (as we were unable to secure an official opinion from the authorities).

The refugees who wished to become (social) entrepreneurs themselves were reported to face another serious obstacle – a need for a local partner. While there was some confusion whether this was indeed a legal requirement or a necessity caused by significantly higher minimum capital required to register a company without a Jordanian or Lebanese partner, the interviewees insisted that it was, to all intents and purposes, a must. Especially as those refugees wishing to go around the local partner rule and set up the company in their own name needed permits from their respective Ministries of Interior and – as one interviewee from Jordan put it – they “haven’t heard of any Syrian succeeding in that”. According to some of the support organizations interviewed, as a result many start-ups (both social and regular enterprises) established by Syrians in both countries are not registered at all.

Working inside of the refugee camps presented a different set of difficulties, from access to electricity and internet, through poor sanitary conditions, to problems with obtaining a permit to work inside of the camp – a long and burdensome process that hardly ever ended in a success, according to SEs and support organizations alike.

In Lebanon, where Palestinian refugee camps exist, but construction of camps for Syrians was prohibited by the government, SEs designing shelters faced another, rather particular challenge, hereby all and any of the homes intended for the refugees were required by law to be “temporary”, i.e. not build of concrete or bricks, and easily moveable. As of recently, the media have been reporting the Lebanese government taking enforcement of this rule to the next level, forcing the refugees to destroy the homes they already managed to secure for themselves (HRW, 2019).

Finally, societal perceptions of refugees constituted a problem for some of the social entrepreneurs as well, making the process of positioning themselves on the market as high-quality companies – rather than charitable outlets – more complicated. In case of two SEs producing hand-made clothing and accessories, SEP Jordan and Shatila Studio, the challenge has been to gain clients based on the attractiveness of their designs and high quality of their end-product, handcrafted by “artists, craftswomen, who happen to be refugees”. The two companies,

while differing in terms of business models employed, both set price points for their products at or above the average market prices, with SEP Jordan positioning itself as an explicitly luxurious brand. Building their strategy in opposition to traditional “cheap and cheerful” refugee women handicraft workshops, the SEs underlined they pursued long-term sustainability by distancing themselves from clients wanting “feel good” purchases of cheap goods produced by “poor refugees”.

#### 4. SE Ecosystem – Perspectives of Support Organizations

Among the 15 support organizations (SOs) consulted for the report, we achieved a healthy balance of non-profits and for-profits, governmental institutions, international bodies, and NGOs. Some of them were dedicated to working with start-ups, others focus on post-seed, most – worked with enterprises at all stages. The majority did not work exclusively with social enterprises, but all in one way or another were providing support to SEs; most often through provision of mentoring, coaching and advisory schemes, education and training, and knowledge sharing, access to networking, awareness-raising, as well as financial support, usually in the form of grants (less often debt or investment).

Some of the programmes offered were opened to all SEs, but many focused on particular sectors, sections of the population (most often women and youth), or parts of the country. Indeed, as underlined by a number of interviewees, in Jordan too much focus was put on the capital and north of the country, to the exclusion of governorates in the south. Another concern voiced by some of the interviewees was that the Information and Communications Technology (ICT) sector, or more generally enterprises using digital technology, received too much attention (and funding).

The major obstacle faced by most of the support organizations (SOs) – much like in case of the SEs they support – was access to funding; as the resources are limited, organizations must compete for them between each other, making forming collaborations more difficult (in case of SEs, rivalry over funds reportedly at times led to stealing of business ideas). Another challenge mentioned was legislation, from lack of formal recognition of social enterprises, through difficulties in employing refugees, to opaqueness of the national rules – outlined by some of the interviewees as significant issues, but by others understood as an inconvenience rather than a severe impediment.

Recognizing these problems, some of the support organizations both in Lebanon and Jordan reported being actively involved in lobbying with their respective governments to introduce changes that would facilitate the functioning of social enterprises into their country’s legislation. While the success of these actions has been so far limited, in Lebanon a consulting company Beyond Reform and Development developed Social Entrepreneurship Policy Framework, which is currently under review by the country’s authorities. In Jordan, support organizations reported helping to push for the introduction of the law licensing home-based businesses.

In relation to that SOs – unlike the SEs – reported seeing the need to develop an official definition of a social enterprise. People not “fully grasping the idea of social entrepreneurship” created problems not only in terms of legal challenges but the very functioning of the SE ecosystem as such. As one representative of a support organization put it, the critical question when evaluating enterprises is “whether the social element is well integrated into business model OR it just so happens that they make social impact”, a distinction that some of the entrepreneurs seemed to be confused by. At the same time, some SOs were concerned that some entrepreneurs consciously used the “social” label following a “trend” and trying to benefit from the increased interest in both social entrepreneurship and helping the refugee population.

Interestingly, few SOs mentioned the problem of the mismatch between what is being offered to the SEs, and what the SEs wanted and needed – a problem reported by a number of entrepreneurs themselves. Whereby entrepreneurs wanted save time by avoiding repetitive training, some SOs saw this as a “lack of willingness to learn” and complained about their overconfident attitude. Ironically, some donors complained that support organizations have similar problem: they lacked qualified and experienced staff and did not invest in internal training enough.

Donors, on the other hand, were seen by other SOs as designing their programs without good understating of the local needs and lacking in efficiency and effectiveness when implementing them. As a result, a lot of money was said to be wasted, for instance by investing “millions of euros” in training large numbers of Syrian refugees in the fields that – for reasons varying from legal obstacles and small market size to cultural sensitivities and natural predispositions – they were unable to find employment once they graduated from the programme, only “adding to their frustrations”.

In terms of the needs of SEs as perceived by the SOs, apart from a disagreement on how much training they need, both groups identified access to funding as number one challenge; when asked about most important sources of financing or SEs in their region, those who did reply to the question pointed primarily to the European Union (EU) grants (rated as “important/very important”). All the remaining sources of funding were on average rated as somehow important or not really important, with equity funds, venture capital, and business angels listed as next-important ones.<sup>9</sup> Interestingly enough commercial banks, from which none of the social entrepreneurs interviewed received funding, were believed to be somehow important by almost one-third of the SOs.

Coming back to the challenges faced by social enterprises, supporting organizations pointed to marketing and human resources, both highly ranked by the SEs as well. Two other issues that were raised during the interviews – and were supported by our own observations based on both desk research and interviews – were the role of the media and attitude towards transparency. The latter is considered in the literature as an important characteristic of a social enterprise; as one of the interviewees noted, however, especially when it comes to financial issues, SEs in the region

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<sup>9</sup> Five-point Likert scale was used for this question.

are not always willing to openly share their financial information. This is most likely due to both the business culture in the region and the broader socio-political and economic ecosystems in Jordan and Lebanon within which the SEs operate (and where such transparency may not always be rewarded). Regarding the media coverage, one interviewee described the SEs as “victim[s] to media (...)” because “[t]he media over-hypes them before they have fully developed and improved their business”. The danger stemming from this is falling into the trap of complacency and false sense of achievement, impeding their future growth of the SEs (a real danger to regular start-ups as well).

Finally, regarding issues specific to working with refugees, SOs underlined a need for additional skills required to work with people who went through the trauma of war. Temporary nature of work with refugees was mentioned as a potential issue for entrepreneurs as well, given lack of certainty how long those forcibly displaced would stay in their host countries.

## 5. Social Enterprises and Refugees – Potential to Help

### 5.1. Work Integration Social Enterprises and Freelance Marketplaces – Employment Opportunities for the ‘Unemployable’

One of the most well-established types of social enterprises are the ones focused on professional and social integration of disadvantaged sections of the society. In the literature, they can be found under the name Work Integration Social Enterprises (WISEs). Davister, Defourny, and Gregoire (2004) distinguish four main models of integration of WISEs operating in Europe: i) *transitional occupation*, aimed at increasing a given person’s employability in the future, ii) *creating permanent, self-financed jobs*, whereby salaries are subsidized before workers achieve level of productivity allowing them to become competitive in the labour market, iii) *professional integration with permanent subsidies*, aimed at the most disadvantaged sects of the society using funds from public authorities, and iv) *socialisation through a productive activity*, a model applied in case of workers with “serious social problems” (such as former convicts or alcoholics). While this classification is not fully applicable to the SEs in Jordan and Lebanon that were examined for the purpose of the present report – although most are closest to the second and third models – a number of enterprises looked into for the benefit of this report was created with a specific goal of providing employment opportunities to refugees, or for disadvantaged segments of society in general. Regardless of the type of the enterprise, be it a traditional workshop or an online employment matching platform, WISEs provided a lifeline to the poverty-affected refugees.

Indeed, in both countries under examination, refugees find it difficult to secure jobs and those who do oftentimes work without legal contracts (92% of refugees in Lebanon in 2014) and/or work on a day-by-day or week-by-week basis (ILO, 2014). Female refugees are particularly in need of assistance. According to the UN (UNHCR, UNICEF and WFP, 2017), almost 19% of the refugee households in Lebanon and 30% of those in Jordan are headed by women. However, only approx. 8% of female refugees in Lebanon are believed to be employed (UNHCR, UNICEF and



WFP, 2017) and only 4% of work permits issued to refugees in Jordan between early 2016 and October 2017 were given to women (although the actual labour market participation rates are probably higher, with women choosing to work without the permit) (UNHCR, 2017). Unsurprisingly, 76% of Syrian refugees in Lebanon and 82% of those in Jordan live below the poverty line, with female-headed households being more likely to experience poverty than the male-headed ones (UNHCR, UNICEF and WFP, 2017; Danish Refugee Council and UNHCR, 2019).

By offering employment opportunities to the refugees, SEs are therefore helping them to maintain their families and overcome poverty. Driven by more than making a profit, WISEs adjust their business models to enable the refugees to overcome obstacles preventing them from finding jobs, such as long and expensive commutes to work, inadequate working conditions, safety-related issues, or childcare responsibilities (ILO, 2018).

Below we present a selection of ways in which SEs help the refugees to function on the labour markets of their host countries, supported by short case studies.

✓ **Breaking social taboos**

Advancing female empowerment is not just about providing women with socially acceptable work opportunities but also challenging the existing status-quo. **Safaa Plumbing**, a social enterprise established by a Syrian female refugee, trains and employs female plumbers – a profession traditionally reserved for men who due to cultural sensitivities cannot, however, provide services to women in the absence of their male family members. For many refugee women arriving in Jordan without their husbands, brothers or fathers, services offered by Safaa were an ideal option. With time the company gained Jordanian clients as well, slowly making both men and women accustomed to the fact that women are also capable of working as plumbers. Safaa is also working towards spreading societal awareness regarding water conservations, providing free trainings to children and their parents.

✓ **Working from home**

Women in the MENA region, refugees or not, face many practical and societal obstacles preventing them from seeking employment outside of their homes. **Crave Home**, a Lebanese SE enabling home-based cooks selling their meals via an online platform, makes it easy for women to make a living without leaving the house. The company offers training sessions to the cooks and plans opening a communal kitchen where the refugee women, who oftentimes do not have proper kitchens at their disposal, could prepare their meals. It is also working on establishing a micro crediting scheme to support the women who are not able to invest in purchasing the necessary ingredients (the chefs are being paid at the end of a month depending on their sales). **Bilforon**, a similar SEs from Jordan (with both female and male cooks), allows their users to sell foodstuffs such as home-made pasta, pickled vegetables, jams, and juices as well.



Another take on home-based work has been taken by **Tech for Food**, which equips disadvantaged people with skills needed to join the digital economy and subsequently helps them secure jobs as online freelancers.

✓ **Safety measures**

The personal safety of professionally active females is a concern both for the women themselves and for their families. It is of particular importance for refugee women, functioning in spaces and communities they are not familiar with. Acknowledging this need, **Aoun** – an online platform matching clients with maintenance services’ providers that has 95 women registered on in their application – introduced a safety button that allows to quickly contact the company’s support team or police, as well as to track the person’s location.

✓ **Career continuity**

Having escaped their countries, Syrian refugees who used to work as artisans back in their country, lost not only their clients but also credentials. As Syria used to be a pen-and-paper country, they found their track record lost. **Sharqi Shop** is a SE created by a Syrian refugee to help these artisans to reconnect with their own clients and gain new ones, thanks to which they may continue working in their profession. As the shop operates online, refugees automatically create digital portfolios of their work that can be used in the future, e.g. when searching for a job once they return to their homes or relocate to new host countries.

✓ **Empowering the homemakers**

The primary duty of women in Jordan, Lebanon, and Syria (as indeed in many other parts of the world) is taking care of their families and households. Childcare responsibilities are one of the major obstacles preventing them from seeking employment outside of the house. **Shatila Studio**, a social enterprise based in Shatila Palestinian refugee camp in Lebanon which provides sustainable employment to female artisans, allows women to bring small babies to the workshop and has a free nursery for toddlers. The workshop also offers space to rest, connect to other women, and access counselling services to women, who are hardly ever allowed to leave their overcrowded houses. Another example is **SEP Jordan**– a social enterprise selling high-end handicrafts produced by women living in Jordan’s Jerash “Gaza” refugee camp. SEP allows women to set their own working schedules and spend as much time working on their handicrafts as they are able to after fulfilling their family-related obligations.

✓ **Integrating refugees to their host communities**

Both Jordan and Lebanon have been struggling with high unemployment rates even before the outbreak of the war in Syria which forced thousands of Syrians to seek safe haven within their borders. Their arrival strained the already limited national resources, which led to a rise in tensions between the host and refugee populations. Resentment

towards Syrians grew as some international organizations directed funds towards the refugees only, leaving Jordanians and the Lebanese feeling forgotten. SEs are well aware of that and try to avoid making the same mistake; in fact, nearly all the entrepreneurs interviewed underlined the need not to limit their activities to the refugees only (the exception being those working inside of refugee camps). **Teenah.com** employs both female Syrian refugees and women from their host communities. The company produces environmentally friendly, reusable fabric bags and textile-based products. Women work arm in arm, which facilitates integration of the refugees into the communities they live in. By providing jobs to Jordanians as well, the company helps to avoid resentment among the host population.

Finally, one cannot overestimate the **positive impact that being in employment can have on the psychological well-being of the refugees**. Granting them the opportunity to gain their living by work, rather than handing them charity, improves their sense of agency and helps to overcome the feeling of helplessness and hopelessness. In case of the refugee women, helping them to financially support their families is additionally a tool for their empowerment. The SEs are uniquely positioned to assist with the labour market integration of the refugees as – unlike purely profit-oriented private companies – they can accommodate for their specific needs, focusing on the social impact of their work rather than just profit maximization. Moreover, unlike non-profits, they can create sustainable jobs that do not (entirely) depend on donor funding.

At the same time, it is important to mention that all these favourable effects can only be achieved under conducive legal environment, whereby governments do not prevent or severely limit employment rights of the refugees (or at least do not actively enforce the existing legislation).

## 5.2. Social Enterprises Providing Services – Solving the ‘Unsolvable’

Apart from providing refugees with job opportunities, SEs are a valuable source of goods and services that would otherwise be difficult to obtain.

### ✓ **High-quality education**

Refugee children can, under certain conditions, attend public schools for free both in Lebanon and Jordan. It is estimated that approx. 70% and 62% of refugee children in Lebanon and Jordan respectively were enrolled in schools (UNHCR, UNICEF, WFP, 2017; Government of Jordan, 2017). However, quality of education in overcrowded classes remains a serious issue, with some schools operating shift system to accommodate all the students. **Little Thinking Minds**, a social enterprise with offices in Jordan, United Arab Emirates, and Saudi Arabia, provides digital resources and solutions for children for whom Arabic is a first or a second language. In Jordan, the company is working with the public authorities to deliver educational materials for schools in which Jordanian children are taught in the morning, and Syrian – in the afternoon. The programmes are designed in an interactive way (with audio-visual materials accompanying reading materials) and introduce concepts such as gender equality and tolerance.

✓ **Shelter**

A small number of SEs (such as winners of Innovate for Refugees competition<sup>10</sup> **Hope in Sand and Pipes** and **KwikPak Shelter**) has been working on developing shelters for refugees. Their goal is to offer affordable, easy to transport, weather-resistant homes that can be assembled within the matter of minutes or hours, at the maximum (with semi-permanent constructions) – days. While designs vary between individual enterprises, all are developed to account for the needs of their inhabitants, including features such as locks to provide safety and privacy, solar units, windows, or mosquito nets.

✓ **Sanitation**

Related to the problem of poor-quality housing is the issue of poor sanitation provision. In order to address this issue, one of the winners of the Innovate for Refugees competition, **Akyas**, is developing personal single-use biodegradable toilets with a sanitizer kit. Another company, one of the finalists of the second edition of the competition, **Flowly**, designed a standalone solar photovoltaic (PV) water-recycling lavatory unit. Both SEs are still in their early stages of development and face regulatory and financial challenges in their quest to pilot their innovations.

Social enterprises operating in Jordan and Lebanon and beyond come up with numerous solutions to a great variety of problems faced by society in general and refugees in particular. Apart from the above-discussed instances, they provide telehealth services to persons without easy access to hospitals and offering banking solutions for refugees who cannot open bank accounts and receive transfers from abroad. From our overview, however, they appear to be less numerous and at earlier stages of development than WISEs – especially those aiming to offer goods rather than services.

## 6. The Question of Impact

As has been shown, social enterprises have a lot to offer in terms of refugee crisis alleviation. Having the potential to do something and succeeding in doing it are not, however, and unfortunately, synonymous. Social entrepreneurs are oftentimes struggling to truly understand what impact their SEs are really achieving – and showcase it to the investors and donors.

Measuring social impact is not an exact science. As a relatively new field, it lacks well-established methods and good practices. Social impact can be understood in relation to the value created by the entrepreneur and experienced by those affected by his/her activities, the outcomes of the said activities (both positive and negative ones), and their effects as compared to the baseline scenario (Clifford, 2014). The OECD (2015), for example, proposes that different types of SEs should employ different strategies for their social impact measurement. For WISEs it suggests employment of cost-benefit analysis in order to show the key stakeholder (understood in

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<sup>10</sup> Developed by MIT Enterprise Forum Pan Arab, the Innovate for Refugees is a competition “for the best tech-driven solutions addressing the challenges faced by refugees across the globe”. Read more: <https://innovateforrefugees.mitefarab.org/#what-is-ifr>

this case as public investors) the efficiency of allocation of the public funds. In case of SEs providing services, it suggests using Le comptoir de l’innovation (CDI) rating methodology, using criteria such as market positioning, operational costs, and social performance, in order to evaluate the return on investment.

Attitudes towards social impact measurement employed by the SEs in Jordan and Lebanon interviewed for the purpose of the present report vary greatly, with the majority of interviewees not being able (or willing) to explain their approach or having a vague concept of what social impact measurement really is. Those who did report measuring their impact usually used simple, extra-financial indicators such as number of beneficiaries, number of jobs created, user profiles, and price of their product, or even financial indicators such as the revenue generated. These attempts were not, however, based on any rigorous methodologies. Less than one-third of the SEs interviewed had proper impact evaluation schemes in place, with three companies using services of external evaluators, a condition imposed by some of the donors they were working with.

The SOs were aware of the situation and complained about the lack of rigorous, holistic approach towards social impact measurement among the SEs they worked with – even as they appreciated the complex nature of the task. One representative of a SO suggested that measuring of the social impact might be too much of a burden, especially for the micro SEs, and as such, it should be the responsibility of those who support them (NGOs, donors, accelerators etc.) to help them conduct this exercise. At the same time, not all SOs seemed to be interested in evaluating the social impact of the enterprises they worked with. More than that, not all the SOs seemed to have impact measurement procedures in place themselves.

## 7. Key take-aways

- The potential of social enterprises to alleviate the refugee crisis is clearly present both in Jordan and in Lebanon. Despite numerous challenges, a growing number of SEs is improving the lives of the refugees and their hosts, providing sustainable employment, empowering women, educating children, and providing other valuable services. At the same time, a scrupulous assessment of the real impact of their work is nearly impossible, due to lack of rigorous impact measurement system in place. This may result, among other, in difficulty to convince potential investors and donors of the value of SEs work. The social entrepreneurship ecosystem in both Jordan and Lebanon is therefore in need of developing a systematic, holistic approach towards the issue of social impact measurement. Cooperation between various actors in the ecosystem in this regard should be encouraged, with lessons learned from the more mature SE ecosystems taken on board.
- Understanding of the social entrepreneurship concept is generally not very well developed neither among the SEs nor SOs in both countries under research. This most likely stems from the lack of a proper definition of a social enterprise in the legislations of both countries, but also from the growing popularity of social entrepreneurship as an idea, which might result in its being overused as a label.

- Lack of proper legal framework recognizing social enterprise as a legal entity is a major impediment, forcing social entrepreneurs to choose between registering as i) for-profits and therefore forfeiting any tax deductions, opportunity to receive (tax-exempted) grants and donations, and other benefits that non-profit organizations benefit from, or ii) non-profits, limiting their opportunity to generate income. While it is not fully clear to what extent this lack of legal framework is intentional and to what – inadvertent, given some steps towards developing relevant legislation have been undertaken especially in Lebanon, it might be carefully assessed that the latter is the case, giving some hope for

For the time being and equally worryingly, the complexities of the existing legislation do not seem to be well understood by SEs and SOs alike.

- As most of the companies explored are still relatively young, making judgements about progress they have been making towards achieving financial sustainability is premature and precarious. What might be observed, however, is the high degree of reliance of many of the SEs examined on grants – despite stated willingness expressed by the social entrepreneurs to be as non-dependent on this form of financing as possible. However, with banking loans, not a realistic and/or desirable option and investors less interested in SEs, especially those from small markets like Jordan and Lebanon, than in regular businesses, social entrepreneurs will likely continue to rely on this type of funds to grow and develop, as they will tap into personal savings. As a result, few persons outside of the more well-off backgrounds will be in a position to establish SEs.
- SEs in Jordan and Lebanon, apart from facing similar obstacles to development and growth as their counterparts elsewhere in the world – from access to funding, through navigating legislation not recognizing social entrepreneurship as full-fledged business model, to difficulty in finding qualified personnel – must additionally overcome challenges specific to their region and country, such as conservative cultural norms, underdeveloped entrepreneurial ecosystems, and small size of their markets. Additionally, accessing funding may be more challenging for them than “regular” enterprises, as investors – not fully familiar with social entrepreneurship model – are wary of investing in SEs, preferring purely profit-oriented businesses. Working with refugees adds another layer of difficulty, from legal problems, through societal perceptions and mental health issues experienced by the refugees, to political sensitivities attached to the issue of forced migration.
- Services offered by the support organizations do not fully meet the needs of the social entrepreneurs, who consider the trainings offered too generalist and repetitive and conditions imposed in return for financial support too restrictive and indeed at times inhibiting their development. SOs, on the other hand, perceive entrepreneurs as unwilling to learn and cavalier. It appears that in order to improve the situation and create a well-functioning SE ecosystem, honest exchange of feedback and constructive dialogue is very much in need in both countries.

- Political sensitivities surrounding the refugees are a major source of challenges to the SEs. This is especially true in Lebanon, whose politicians (and parts of their electorate) are increasingly hostile to the Syrians. Although this means that their services will be ever more in demand, the refugee-oriented SEs should prepare themselves for additional difficulties, especially in relation to providing employment to the refugees. Collaboration between social entrepreneurs facing similar problems might give them more leverage and help to seek solutions in a more effective and efficient way.
- Given the preliminary nature of the study, there is clearly scope for further research, which could explore in more depth issues such as the social impact of the SEs and perspectives of the refugees employed by/affected by the SEs. Looking into SEs working with refugees in Turkey and comparing them with those in Jordan and Lebanon would be of interest as well. Finally, it might also be interesting to explore the regulatory environment surrounding the SE further.

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## Annex 1 List of persons and institutions interviewed and consulted

Apart from the interviewees mentioned below, we would also like to extend our gratitude to those interviewees that wished to remain anonymous.

Akyas Innovation in Sanitation

Aoun

ASK Arabia

Beyond Reform and Development

Bilfororn

Business and Professional Women

Business Development Center (BDC)

cewas Middle East

Crave Home

FabricAid

Flowy

Impact MENA

Innovate for refugees

JCP-USAID

JoMIZ (Jordan Marketing Information Zone), IRADA Enhanced Productivity Centers Program

Jordan Entrepreneurship and Innovation Association (JEIA)

Jordan Environment Fund

KwikPak Shelter

LENS-USAID

Little Thinking Minds

Mercy Corps

Mrayti

Queen Rania Center for Entrepreneurship (QRCE)

Safaa Plumbing

SEP Jordan

Shamalstart

Sharqi Shop

Shatila Studio

Techfugees

Teenah

Teens who code

UNHCR

Village of Electron (VoE)

## Annex 2 Questionnaire template

### Questionnaire outline for SEs

1. Name and surname:
2. Name of the company:
3. Is the company a social enterprise: Y/N (*if no, end interview*)
4. Age:
5. Gender:
6. Nationality:
7. Position in a company:
8. Educational attainment:
9. Year of commencing activities:
10. Is your operation incorporated: Y/N
11. If yes:
  - a. Country of domicile of the company:
  - b. Structure of the company:
  - c. Ownership (independent/part of a bigger organization):
12. Country/region/area of operations:
13. Number of full-time and part-time employees and/or volunteers:
14. Please describe the main activities of your company in two-three sentences.
15. What was the main reason for establishing your activities?
16. Who is the main target group for your activities (*refugees/host communities, any particular nationality, gender or religious group*)?

*If ‘refugees’ not mentioned, then:*

- 16a. In what ways is your company engaged in working with/for refugees?
17. What issues did you want to address for your target group?
18. What kind of services or products are you providing to address those issues?
19. Are the services or products offered for free or do you charge some or all of your clients for them?
20. How were issues you are trying to resolve addressed before you started your activities?  
What is different about your solution?

21. What impact do you hope to achieve?
22. Do you measure and keep track of your impacts? Do you have targets for impact? Did you achieve or think that you are on a way to achieving your targets?
23. How do you maximize your impacts?
24. What are the main challenges you are facing?
25. What are your biggest needs (select all that apply)
  - a. Funds
  - b. Achieving Sustainability
  - c. Advocating with Governmental Bodies
  - d. Business Skills
  - e. Coaching/Mentoring
  - f. Credibility
  - g. Human Resources
  - h. Impact Measurement Tools
  - i. Incubating
  - j. Acceleration
  - k. Infrastructure
  - l. Legal Support
  - m. Management Tools
  - n. Marketing/Promotion
  - o. Networking
  - p. Recognition
  - q. Visibility
  - r. Other
  - s. Don't know
26. How do you think those could be addressed?
27. Have you ever used support of/worked with:
  - a. Incubator
  - b. Accelerator
  - c. Training provided by a local NGO/CSO
  - d. Training provided by an international organization
  - e. Training provided by governmental organization (of your country of domicile)
  - f. Mentor
  - g. Business Angel
  - h. Other (please specify)

*Ask to provide more details:*

- a. Name of the organization
  - b. Year of cooperation
  - c. Scope of support/cooperation
  - d. Level of satisfaction of the support provided
  - e. Main advantages/disadvantages of the support
28. What are the available sources of funding for SE in your country (check all that apply):

- |  |                       |
|--|-----------------------|
| a. Bank loans<br>(commercial/public/Islamic) | f. Microcredit        |
| b. Grants                                    | g. Social investment  |
| c. Personal savings                          | h. Private investment |
| d. Donations/fundraising                     | i. Other              |
| e. Crowdfunding                              | j. Don’t know         |
29. Which ones have your company made use of?
30. What are currently your main revenues streams?
31. What are the main costs of your activities?
32. Is your company making profit/is it income-independent?
33. What was your turnover last year?
34. What are your biggest successes to date?
35. What are your plans for the future (short-, mid- and long-term)?

### Questionnaire outline for SOs

Name and Surname:

Name of the organization:

Type of institution:

Description of business model and modes of work

1. At what stage of growth do you support social entrepreneurs?
  - Seed phase (0-2 years)
  - Start-up phase (1-3 years)
  - Early-stage growth (2-5 years)
  - Later-stage growth (> years)
2. In which of the ways listed below does your organization support social entrepreneurs?
  - Pre-start support (e.g. bootcamps, ideation)
  - Awareness raising (e.g. awards)
  - Education and training
  - Advisory services, mentoring and coaching schemes
  - Investment readiness support



- Financial support/grants
  - Financial support/debt
  - Financial support/investment
  - Physical infrastructure (incubators, shared working space, fab lab)
  - Collaborations and access to markets
  - Networking
  - Knowledge sharing
3. What is the minimum (selection) criteria in your programmes to fund/support for social enterprises and their ecosystems (via non-financial and financial support through grants or hybrid instruments)?
    - Continuously increase turnover
    - Increase employment capacities (number of employees)
    - Increase the employability (ratio) of marginalized and/or vulnerable people in the staff
    - Delivery measurable social impact
    - Create viable business plan and strategy
    - Diversify financial resources (no overreliance on grants)
    - Build-up strong relationship with their ecosystems
    - Deliver technology focus
    - Get access to new markets
    - Deliver / Create new products / services
    - Get involved in (CSR) corporations supply-chains
    - Organize in-house trainings to employees
    - Invest into trainings towards managerial skills and competences of staff (leader)
  4. In which field(s) are the activities of social enterprises relevant for the territorial ecosystems? (in JO civic enterprises only in a couple of fields)
  5. How do you measure the effectiveness & impact of the support programmes?
  6. From your experience, how do SE measure their effectiveness and impact?
  7. What are your biggest successes to date?
  8. What are the main challenges you are facing?
  9. What are the main challenges SE are facing?

10. What are your biggest needs (any particular set of skills, funds, legal or administrative support etc.)
11. How do you think those could be addressed?
12. Is working with refugee-oriented SE different than with “regular” SEs? How?
13. Since you started operating, has anything changed for better/worse for you?
14. Since you started operating, has anything changed for better/worse the SE?
15. Please indicate how many social enterprises have been attended by your support programme per year and the type of support given
16. What role the following organizations play in financing social enterprises in your territory? (1-not important at all to 5 – very important)
  - Venture capital
  - Equity fund
  - Pension fund
  - Crowdsourcing
  - Business Angels
  - Commercial banks
  - National public banks
  - Ethics banks
  - Other financial intermediaries
  - EU programmes (grants)