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# **SOCIAL ENTREPRENEURSHIP IN THE MIDDLE EAST**

## TOWARD SUSTAINABLE DEVELOPMENT FOR THE NEXT GENERATION

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## ABOUT THE INSTITUTIONS

**Middle East Youth Initiative** is a joint project of the Wolfensohn Center for Development at Brookings and the Dubai School of Government devoted to promoting the economic and social inclusion of youth in the Middle East. In June 2008, the Middle East Youth Initiative joined in partnership with Silatech to launch Taqem, a new program that aims to generate solutions in key areas of youth employment and entrepreneurship by promoting evidence-based knowledge, innovation, and learning across borders. Learn more at [www.shababinclusion.org](http://www.shababinclusion.org).

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## FOREWORD

Like any inquiry, our research on social entrepreneurship in the Middle East began with the identification of a problem: Although young people across the region face a diverse and complex set of challenges, the core of their struggle is defined by a lack of promising career trajectories and, more generally, by limited economic opportunity. On average, nearly 25 percent of the Middle East's economically active young people between the ages of 15 and 24 years are unemployed. This means that more than 10 million youth across the region are experiencing exclusion and disappointment on the job market, without accounting for the millions more who are underemployed or have entirely withdrawn from the labor market.

Rewarding employment is a prerequisite for young people's full sense of citizenship, self-fulfillment, and long-term economic inclusion. Yet traditional social contracts, in which educated citizens could rely on state employment and social protection, are now eroding throughout much of the region. Young people seeking employment and financial independence as part of their own transitions to adulthood are caught in the crosswinds during this time of uncertainty and change. Whether graduating from higher education institutions or vocational training programs, young people find that they do not have the critical skills needed to secure globally competitive jobs. Without steady employment, they find that nearly every other aspect of their transition to adulthood is affected—housing, marriage, and family formation become unaffordable and therefore must be delayed.

Governments, civil society organizations, and private philanthropists are recognizing the urgency of the youth challenge in the region, and in the past few years have collectively pioneered many efforts to improve youth opportunities. However, these efforts need to go further. In many ways, the size of the challenge calls for new development models that empowers and extends economic and social benefits to those who are most excluded and marginalized while capitalizing on the human capital potential of those who are not.

Social entrepreneurship—the use of business methods to achieve a positive and sustained social impact—provides one platform upon which such a development model can be built. Social entrepreneurship is not a new phenomenon. However, several globally successful social enterprises, in sectors ranging from microfinance and education to green energy and health care, have in recent years raised the profile of this style of innovation. Social enterprises can help create jobs, devise innovative development solutions, and inspire young people to act as citizens who are both economically productive and socially engaged—all with the ultimate aim of promoting human dignity and greater social equity. Moreover, some of the most successful enterprises have been able to replicate their model across localities, countries, and even regions, thus serving as conduits through which new development solutions are tested, adapted, and implemented.

In this regard, social enterprises provide a new foundation for socio-economic development in the Middle East, particularly in the context of the region's youth challenge. Yet naturally, not all enterprises can or need to function as social enterprises. Traditional entrepreneurship, motivated primarily by economic gain

rather than social contribution, is an essential force driving economic and human capital development in any economy. Similarly social entrepreneurship cannot, and should not, replace the functions of government, business, or traditional nonprofit sector. However, we believe that successful models encompassing the best practices of both private business and public social development activities will contribute significantly to achieving responsible economic growth in the region.

Until now there has been no comprehensive attempt to delineate the extent of social entrepreneurship in the Middle East and to identify methods to encourage successful innovations at both local and regional levels. This report aims to start filling this gap and to launch a public discussion of what policies and practices can better enable the most promising social enterprises to flourish, with a focus on those led by or serving young people.

Although this report is only the beginning of a large and ambitious inquiry, we hope it lays a foundation for a better understanding of the importance of social entrepreneurship in the Middle East. We are well aware that more research needs to be done in this rapidly developing new field. To tap the full potential of social entrepreneurship, this report's authors highlight the key role of a supportive environment that includes institutions offering technical assistance on the social, legal, educational, and financial challenges faced by entrepreneurs. Each of these challenges merits more study to determine how productively engaged individual actors and institutions can nurture future generations of innovators.



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## ACKNOWLEDGMENTS

This project has benefited from the generous contributions of time and effort of many individuals and organizations. Though the authors alone are responsible for the content of this report and any omissions, we are indebted to the large number of people whose input and support have made this project possible.

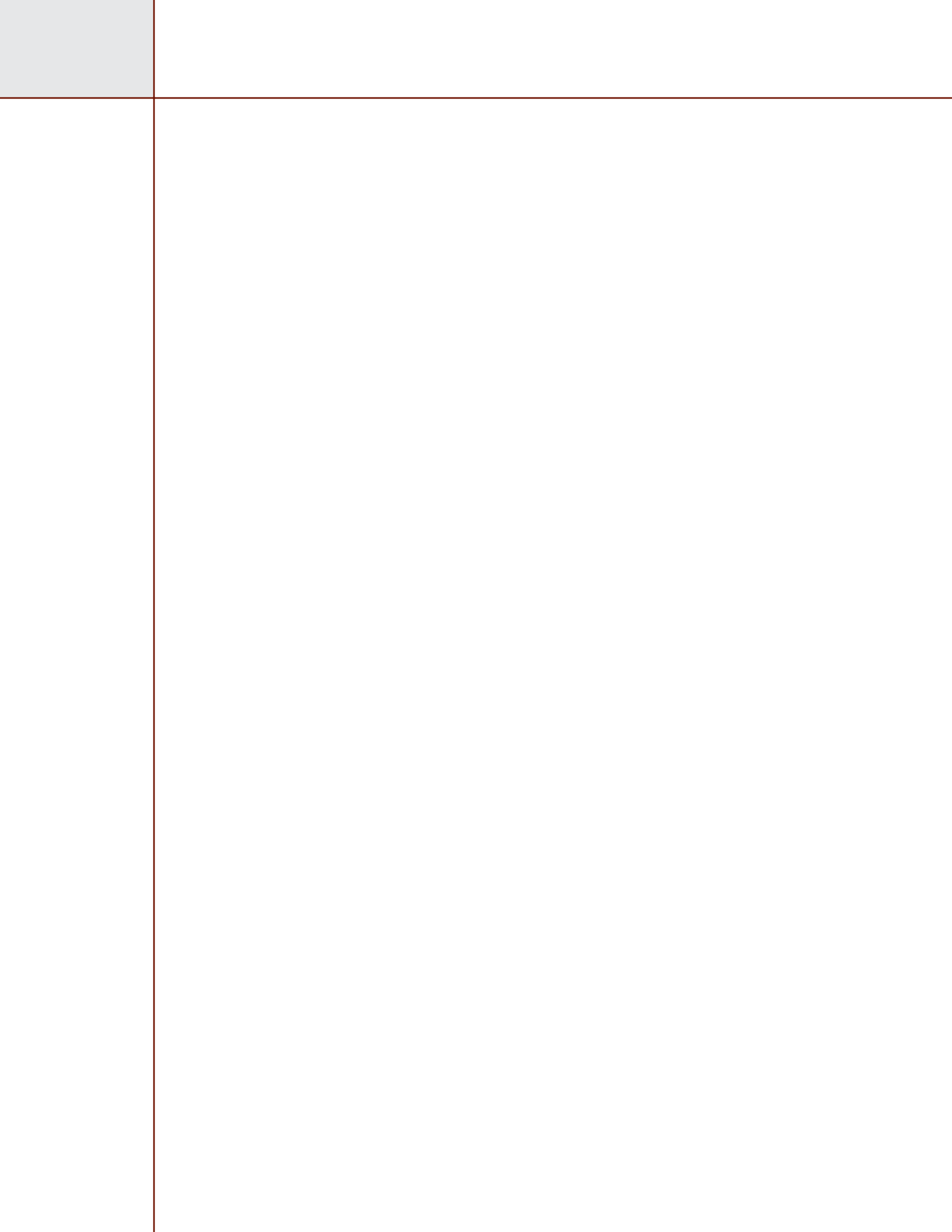
First, we would like to thank James and Elaine Wolfensohn for their continuous support, vision, and commitment to youth development in the Middle East. We would also like to express our gratitude to the leadership of Dubai School of Government and Silatech for their intellectual contributions as well as the financial and programmatic support for this research and the Taqem Initiative at large.

We would like to thank our fellow colleagues and practitioners for their critical and careful review of our work: Iman Bibars, Samantha Constant, Paul Dyer, Tarek Hatem, Barbara Ibrahim, Laila Iskander, Johannes Linn, Pawan Patil, Justin Sykes, Ramakant Vempati, and John Whitman. We would also like to express our gratitude to Navtej Dhillon, Homi Kharas, Mary Kraetsch, Jean-Louis Sarbib, and Noam Unger for their continuous support and assistance at various stages of the process.

The Corporate Social Responsibility Initiative at Harvard University's John F. Kennedy School of Government has been an instrumental partner, providing leadership and much-needed perspective on the role of the private sector in forging a more inclusive and prosperous future in the Middle East and in co-convening our roundtable in Washington. We would especially like to thank Shannon Murphy for her time and assistance. Further, we are grateful to all of the individuals that participated in the roundtable.

We would like to thank the Ashoka Arab World office in Cairo, the Naseej Community Youth Development Initiative in Amman, and the Issam Fares Institute for Public Policy & International Affairs at the American University of Beirut who were kind enough to host the Middle East Youth Initiative's roundtables in Egypt, Jordan, and Lebanon, respectively. We would like to thank all the participants in these roundtables (see annex for a list of participants). Further, thanks are due to the organizers of and participants in the Dubai School of Government's Best Practices in Entrepreneurship Policy Conference in November 2009, for a timely and valuable contribution to the wider field of entrepreneurship.

Finally, we thank the International Center for Not-for-Profit Law for contributing a background paper on the legal and regulatory framework for social entrepreneurship in the Middle East.



# SOCIAL ENTREPRENEURSHIP IN THE MIDDLE EAST

## TOWARD SUSTAINABLE DEVELOPMENT FOR THE NEXT GENERATION

### EXECUTIVE SUMMARY

Despite the promise of an increasingly educated population of young people, the Middle East's "youth bulge" generates pressure on education systems, labor markets, health care, natural resources and infrastructure. In this context, and with constrained public and private resources, traditional development frameworks in the Middle East are proving inadequate and are in need of transformation. Within the complex ecosystem of domestic governments, international donors, private businesses and individual philanthropists, the emerging model of social entrepreneurship offers potential as being one model to address the multi-sectoral challenges young people face in the Middle East.

This report draws on existing literature to focus on four central principles of social entrepreneurship:

- ***Achievement of positive social impact:*** Social entrepreneurship responds to communities that have been marginalized or excluded by existing market actors and non-market institutions;
- ***Non-conventional thinking:*** Social entrepreneurship aims for what Joseph Schumpeter called "creative destruction," a revolutionary transformation of a pattern of production which is often associated with entrepreneurship at large but, in the case of social entrepreneurship, is applied to social challenges;
- ***Use of sustainable methods:*** Social entrepreneurship must include a strategy for achieving financial sustainability, such as earning income; and,

- ***Innovation that can be adapted and “scaled up” beyond the local context:*** It is by pioneering ideas that can be applied at a larger scale that social entrepreneurship is able to contribute to systemic and path-breaking change.

Social entrepreneurship often requires more than one individual to achieve impact and, often, a dedicated organization through which to carry out its work. The social enterprise is an organization with a clear social mission and a strategy that combines resourcefulness and innovation, which allow it to be financially sustainable. Social enterprises can assume a variety of legal and organizational models, but generally can be divided into four categories:

- ***Leveraged nonprofits*** capitalize on the interest of a variety of stakeholders to operate and to secure ongoing support based on a diversified portfolio of funding.
- ***Enterprising nonprofits*** have a self-financing component contributing to the organization’s sustainability.
- ***Hybrid enterprises*** combine aspects of the for-profit and nonprofit legal models, either through an innovative legal structure or by using a for-profit subsidiary to support the social activities of the nonprofit.
- ***Social businesses*** are those that can demonstrate market-level financial performance and competitiveness while expressing an equal or greater commitment to a social aim.

Several trends in the region point to the important role that social entrepreneurship can play in capitalizing on the youth bulge, including an increased sense of social commitment expressed by a growing youth population, the incremental yet increasing ease of doing business in many of the countries, and the growing strategic orientation that is being adopted by the region’s philanthropic donors. Together, these represent promising trends for social entrepreneurs seeking talent and capital to start their own enterprises. Yet only with a conducive institutional

environment can social entrepreneurship grow into a transformative tool in the field of youth economic development.

### **The Landscape of Social Entrepreneurship in the Middle East**

The Middle East is an underrepresented region in the growing literature on social entrepreneurship. More time and research is needed to identify and map the region’s social entrepreneurs and social enterprises. To date, an estimated 78 globally recognized and awarded social entrepreneurs are operating in the Middle East. This report draws analysis from this focused group with the intent to examine trends and patterns. A look at their personal backgrounds and professional accomplishments shows seven common characteristics:

- They are a highly educated group, with the majority of them having attained university degrees and post-graduate degrees.
- As children and youth, most of these individuals were engaged in extracurricular activities, including sports, the arts and youth organizations.
- A third of this group has studied, lived or worked abroad and cite their experience abroad as a factor that has shaped their professional aspirations.
- Most of them have an intimate understanding of, or personal experience with, the problems they are trying to solve.
- A majority of them are pursuing systemic change, with many reaching out to governments to achieve wide-reaching impact.
- They are pioneering new areas of focus, service delivery methods, or products across a wide range of sectors.
- Due to issues of organizational and funding priorities, 73 out of the 78 internationally recognized social entrepreneurs are drawn from only five countries in the region: Egypt, the West Bank and Gaza, Jordan, Lebanon, and Morocco.

Social entrepreneurs in the Middle East face a number of challenges, some of which are common with their counterparts globally, and others that are more unique to the environment in the region. Their challenges can be broadly clustered in three broad categories: policymaking and governance related challenges, the need for greater institutional, operational and financial support, and the lack of social and cultural awareness and recognition of their work.

### **The Role of Key Institutional Actors**

Globally, social entrepreneurship has flourished where key institutions and economic actors are actively engaged in creating a conducive environment that supports and cultivates new, indigenous ideas and innovative practices.

**Governments** have a critical role to play in fostering the growth of this nascent field by i) creating and enforcing the appropriate regulatory framework for the functioning of social enterprise, ii) engaging with social enterprises and rewarding success through recognition, procurement and partnership, and iii) developing and supporting the broader ecosystem for social entrepreneurship.

**Businesses** in the Middle East, including multinational corporations, are finding it increasingly worthwhile to invest in producing a better trained workforce and creating fertile ground for entrepreneurship and innovation. To this end, social engagement by the corporate sector can take three forms: i) providing traditional corporate philanthropy, ii) engaging in strategic social partnerships, and iii) developing commercially viable, inclusive business models. Within each of these categories, there is room for greater coordination and collaboration with social entrepreneurs working on the ground.

In addition to an increasing interest from social investors, there is a growing array of global organizations providing more than just financial capital to social enterprises. **Intermediary organizations** provide a variety of services that connect

social entrepreneurs and enterprises to the capital and services they need to build their organization. They are also useful to investors, providing valuable information on investment risks and mitigation. International support organizations for social entrepreneurs are active in the Middle East but are limited in their coverage, reaching only a few countries in the region. There are only a small number of investment networks, market facilitators and incubators specifically for social enterprises in the region.

**International official development assistance** plays a central role in economic development in many parts of the region, such as Egypt, Iraq, Jordan, the Palestinian Territories and Yemen. Given this presence, international donors and other global actors have the potential to play a more catalytic role in cultivating youth innovation and development by partnering with social enterprises on the ground.

Across the Middle East, **higher educational institutions** are beginning to support the study and practice of traditional entrepreneurship through competitions, academic programs and incubators. Such initiatives are crucial for the promotion of entrepreneurship and should be adapted and replicated throughout all universities in the region. However, it is equally important that they include a clear social entrepreneurship component which is currently lacking. Educational institutions can play a major role in i) raising awareness and building a knowledge base on social entrepreneurship, ii) building a social entrepreneurial culture and developing skills, and iii) providing services and creating pathways for the sector's development.

### **Moment of Opportunity**

In the Middle East, any progress in youth development will depend on active collaboration across institutions on the national level as well as greater cooperation between countries at the regional level. The moment of opportunity for global players to influence and harness the potential of such partnerships is now. Social entrepreneurship is one platform upon which to do so. It requires

that key institutional actors work together to create a supportive environment for innovation and growth in the area of sustainable development. Government, business and civil society leaders must pursue new ways to identify and then adapt good practices emerging across the region and around the globe. The recommendations in this

report are proposed to facilitate the development of institutional alliances that need to take place in order to capitalize on social entrepreneurship, boost economic opportunities for young people in the Middle East, and prepare the region to become more fully integrated into a rapidly changing global economy.

### **Recommendations**

The following recommendations are directed toward multiple institutions and stakeholders across regional and local levels. They are drawn from field-based interviews and consultations with practitioners throughout the region.

- 1** *Clearly define social entrepreneurship in the Middle East.*
- 2** *Standardize benchmarks for measuring social and environmental returns and impact.*
- 3** *Support incubators and seed funds targeting youth-led social enterprise start-ups.*
- 4** *Assess the feasibility of national replication funds.*
- 5** *Set up a regional social investment forum for scaling up youth initiatives.*
- 6** *Improve coordination of multistakeholder efforts.*
- 7** *Convene national and regional policy dialogues on legal frameworks.*
- 8** *Strengthen the demand for and the culture of social entrepreneurship among youth and communities.*

## I. INTRODUCTION

There are approximately 110 million youth between the ages of 15 and 29 years living in the Middle East who make up more than 30 percent of the region's population.<sup>1</sup> At the same time, the number of young people enrolled in school through at least the secondary level, and even the university level, is rising. As this increasingly educated generation comes of age, expectations are high—both among the youth themselves, who seek meaningful opportunities for economic and social advancement, and among the region's reform advocates, who expect that this increasingly globalized and educated generation will pave the way for sustainable growth and stability in the region.

Despite the potential, the region's "youth bulge" generates severe pressure on education systems, labor markets, health care, natural resources, and infrastructure. These pressures are perhaps most notable when one looks at regional labor markets, where one in four economically active youth is unemployed. Overall, the youth unemployment rate in the Middle East is nearly double that in the world at large. The United Nations Development Program (UNDP) and the League of Arab States estimate that current trends in unemployment, coupled with population growth rates, indicate that Arab countries alone will need about 51 million new jobs by 2020.<sup>2</sup> These labor market outcomes underline a pressing need for the public and private sector to work together to create new jobs and meaningful opportunities for work, in addition to managing the broader set of services needed by this young population.

Concurrently, the region finds itself under threat from a number of important natural resource challenges related to climate change and population growth. For many states in the region, oil resources—which once underpinned the ability of governments to fully provide jobs and public services—are declining rapidly. Moreover, most countries in the region are facing growing challenges related to water shortages, pollution, and desertification that further complicate the balance between achieving short-term objectives and investing in sustainable development for the future.

### **The Need for New Development Frameworks in the Middle East**

These challenges, combined with the enormous opportunity that the Middle East's youthful population represents, point to the need for new models of development in the region. While the region's traditional loci of economic development—government, the private sector, foreign aid, foreign direct investment, and private philanthropy—maintain important roles in helping to empower the emerging generation of economic actors, their leaders and practitioners must pursue new directions to do so effectively.

#### ***Toward better governance***

Governments in the region traditionally have played a central role in economic development and the provision of social services. Often to the exclusion of private and civil society actors, regional governments have taken the lead in setting economic policies, making investments in human capital development, and creating jobs for the majority of the region's population. However, in the context of the region's demographic and natural resource challenges, governments are increasingly unable to guarantee the safety nets they once provided to their populations. The ability of governments to provide fully subsidized education, health care, and other services for their growing populations is increasingly restricted. Moreover, pressures related to these traditional areas of government support have limited the ability of government to creatively and effectively deal with emerging challenges such as water shortages and other environmental concerns.

As such pressures have mounted, nearly every government in the Middle East has taken steps to empower the private sector to play a more prominent role in economic production and the provision of services and, thus, in spurring economic diversification and sustainable growth. Governments have initiated a number of reforms to the regulatory environment for businesses. Recognizing these efforts, the World Bank and International Finance Corporation's recent *Doing Business* report found that 16 of the 19 countries ranked in the Middle East undertook reforms to the business environment between June 2008 and May 2009, making the region one of the

most active in pursuing such reforms.<sup>3</sup> Over the course of the same year, two Middle East countries—the United Arab Emirates and Egypt—were selected as “top reformers.”<sup>4</sup>

Although these changes are promising for private businesses, the regulatory environment for civil society actors, including private philanthropic entities, remains cumbersome. A new development framework for the region is needed in which governments would not be the sole planners of development but would be one of its many partners, ensuring an inclusive environment and sound governance for private initiatives that are promoting macroeconomic growth, job creation, and social impact.

#### ***Toward inclusive private sector growth***

While economic liberalization efforts have encouraged the expansion of the private sector and have played a role in stimulating overall economic growth—particularly in the “boom years” between 2002 and 2008—the impact of domestic private sector-led growth on social and economic development in the region has remained limited. Research suggests that the high economic growth witnessed in recent years has not significantly increased either equitable development or opportunities for many of the region’s youth.<sup>5</sup> Due to poor linkages between the region’s educational systems and the human resource needs of the emerging private sector, youth increasingly find themselves excluded from the employment opportunities provided within the formal private sector.

For the region’s private sector, a new development framework would mean a greater role in transferring skills to young people and in fostering their creativity, innovation and entrepreneurial ambition. Furthermore, private businesses and corporations would forge stronger connections with the social sector, moving beyond ad hoc partnerships and traditional charitable activities.

#### ***Toward more effective development aid and foreign investment***

Official development assistance has long played an important role in supporting the ability of the region’s governments to provide services and

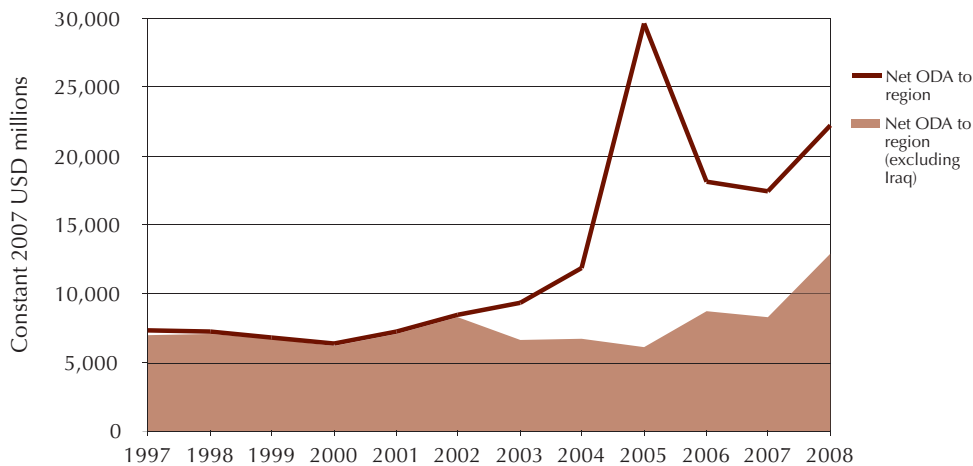
support for their people, and will continue to contribute to the region’s overall economic and social development. Yet, the role of aid in fostering better development outcomes is complicated by two important factors, as described below.

First, most official aid—particularly bilateral aid—is devoted to countries of strategic interest to donors. For example, most of the aid provided by the United States to countries in the region (excluding Iraq) between 1980 and 2008 has gone to Egypt, Jordan, and the Palestinian Authority and is linked to the positions that these countries have taken in relation to the Middle East peace process.<sup>6</sup> Since 2005, the bulk of aid to the Middle East has gone to stabilizing Iraq (figure 1). Recently identified security challenges in Yemen have led to a rapid increase in development aid to that country—aid that could have been more effective if delivered well before Yemen was identified as a security challenge. Having strategic goals as a leading determinant of how those resources are allocated and spent often comes at the expense of investing in sustainable development solutions.

Second, there are emerging questions about the effectiveness of official development assistance in general in resolving the long-term challenges of development. In one regard, aid tends to be highly volatile and procyclical.<sup>7</sup> Kharas also suggests that aid’s effectiveness is limited by the administrative burdens placed on recipients, poor coordination of aid implementation, and limited proportions actually reaching those most in need.<sup>8</sup> Corruption can also play a role in reducing the amounts that actually get to intended recipients.

Similarly, foreign direct investment (FDI) has long been posited as a means to stimulate technology transfer and higher, more sustainable growth in the Middle East, in turn improving the overall economic well-being of youth and others living in the region. Indeed, FDI has played an important role in regional economies since 2002. However, it has also proven volatile; in fact, due to the global economic climate, FDI flows to the region decreased by more than 6 percent between 2007 and 2008.<sup>9</sup> FDI in the region has also been concentrated in sectors such as petrochemicals and real estate, which are not the most fertile grounds for boosting levels of

FIGURE I. NET OFFICIAL DEVELOPMENT ASSISTANCE TO THE MIDDLE EAST



Source: OECD DAC database

employment or facilitating innovation that contributes to community development.

Both official development assistance and FDI will continue to be influential factors in the region’s growth. Through greater coordination and commitment to long-term development goals, however, both these tools could play a greater role in fostering inclusive economic and social development. This would require donors and multinationals to engage more organically with communities at the grassroots level.

**Toward more strategic private philanthropy**

In the context of retreating public sector interventions and an indirect, often weak response by the private sector to addressing social development issues, private philanthropy has taken on increasing importance in the Middle East. This was particularly the case in recent years, where large windfalls from the 2002–2008 economic boom left many private sector leaders with ample resources to dedicate to addressing social challenges, resources that increasingly found their way into philanthropic organizations.

Private philanthropy is not new to the region. The tradition of giving for social benefit is deeply rooted in religious and cultural practice in the Middle East. Both the Christian tithe and the Islamic *zakat* are actively exercised in the region, and the chan-

nels for collecting and distributing these funds are often heavily institutionalized.<sup>10</sup> However, these institutions of traditional sources of philanthropy have been somewhat dormant or restricted due to historical developments related to the balance of power between such institutions and the state, or have been crowded out by the historically dominant role of the state in social service delivery.

The John D. Gerhart Center for Philanthropy and Civic Engagement at the American University in Cairo reports an increase in more systematic and strategic philanthropy in the Arab region. Individuals and firms are moving beyond just providing charity. For example, emerging entities like Doha-based Silatech are experimenting with innovative methods of financing social development. Others are aiming to revive some of the region’s philanthropic traditions, such as the Cairo-based Waqfeyet El Maadi, which is trying to promote the revival of the Islamic cultural heritage of waqf (endowments). However, overall, institutions for private philanthropy, especially religious giving, remain restricted due to legal as well as narrow religious interpretations and practice. A new development framework would encourage more innovation and strategic approaches among philanthropic organizations in the region so they may further contribute to the development of an influential, versatile, and highly responsive sector.

## Key Principles of Social Entrepreneurship

Over the past two decades, the concept of social entrepreneurship has increasingly entered public discourse. However, the concept is still, by nature, open to multiple interpretations. How much should social entrepreneurship focus on individuals versus organizations? How sustainable must the social entrepreneur's efforts be? What qualifies as positive social impact, and on what scale must this impact be achieved? Leaders in the field still differ in their responses to these questions.

Many definitions of social entrepreneurship have been proposed, each of which emphasizes different elements of the phenomenon, such as "pattern-breaking," "systemic," or "permanent" social change; entrepreneurial innovation; or financial sustainability.<sup>11</sup> Instead of creating another definition in an already densely populated field, this report draws on existing literature to focus on four central principles of social entrepreneurship:

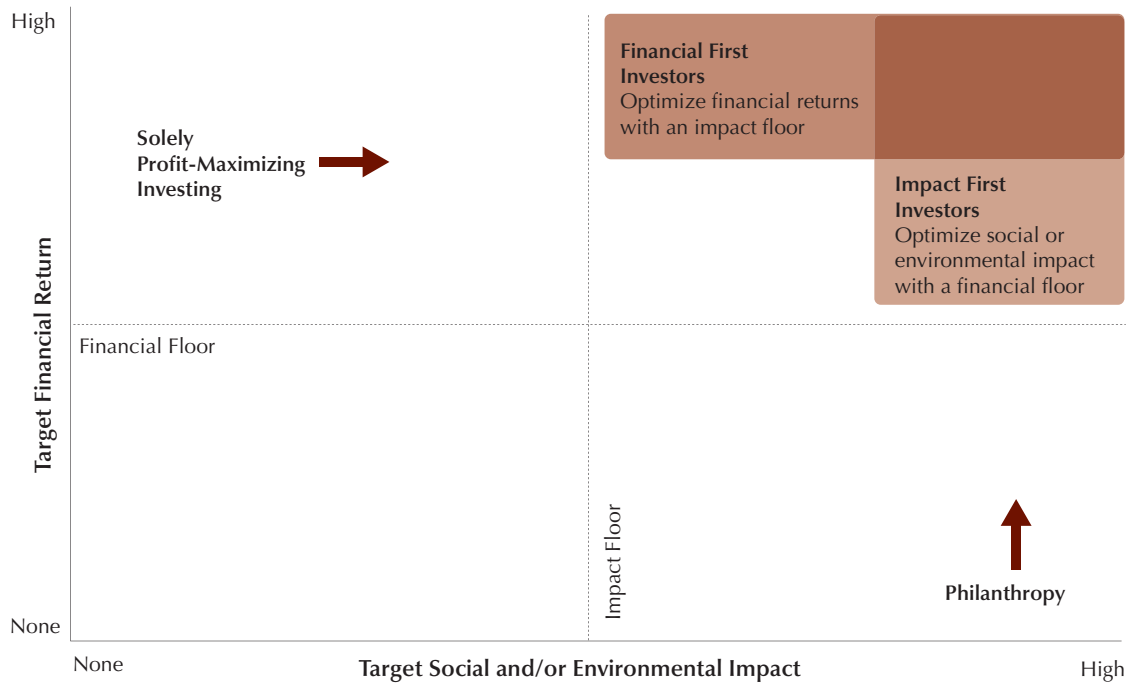
- *Achievement of positive social impact:* Social entrepreneurship responds to communities that have been marginalized or excluded by existing market actors and nonmarket institutions;
- *Non-conventional thinking:* Social entrepreneurship aims for what Joseph Schumpeter called "creative destruction," a revolutionary transformation of a pattern of production that is often associated with entrepreneurship at large but, in the case of social entrepreneurship, is applied to social challenges;
- *Use of sustainable methods:* Social entrepreneurship must include a strategy for achieving financial sustainability, such as earning income; and,
- *Innovation that can be adapted and "scaled up" beyond a particular local context:* It is by pioneering ideas that can be applied at a larger scale that social entrepreneurship is able to contribute to "systemic" and pathbreaking change.

From these principles, it follows that the social entrepreneur is "innovative, resourceful, and results oriented," drawing on "the best thinking in both the business and nonprofit worlds to develop strategies that maximize their social impact."<sup>12</sup> The social entrepreneur is often regarded as possessing a unique set of characteristics. For example, Ashoka claims that it is looking "for the Andrew Carnegies, Henry Fords, and Steve Jobses of the citizen sector."<sup>13</sup> Organizations such as Ashoka, the Schwab Foundation for Social Entrepreneurship, and the Skoll Foundation have been on the leading edge of supporting social entrepreneurs and social entrepreneurship globally. Yet some argue that their focus on the distinctiveness of the social entrepreneur can be interpreted as overly exclusive and therefore deter potential social entrepreneurs.<sup>14</sup> Thus, there is an active debate about whether social entrepreneurship is more about the individual or the organization (or team). On this question, culture—and the relative emphasis on the individual versus the group—may play a role in how social entrepreneurship is interpreted and received.

This report argues that the seeds for social entrepreneurship can be sowed in any context: an existing informal community group or network, a nonprofit organization, a for-profit company, or a government office. However, more often than not, social entrepreneurship requires more than one individual to have an impact and a dedicated organization through which to execute its activities. Thus, the social enterprise is an organization with a clear social mission and a strategy that combines resourcefulness and innovation, allowing it to be financially sustainable.

Social entrepreneurship cannot succeed without social investment, or the financial resources required to achieve positive social change. Though the primary motivation for the social investor is

FIGURE 2. SEGMENTS OF IMPACT INVESTORS



Source: Monitor Institute, *Investing for Social and Environmental Impact: A Design for Catalyzing an Emerging Industry* (San Francisco: Monitor Institute, 2009), 32.

to make a social impact, some include a minimum financial return in their definition of a social investment. For instance, the Monitor Institute defines investing for impact as “actively placing capital in businesses and funds that generate social and/or environmental good and at least return nominal principal to the investor” (see figure 2).<sup>15</sup> This report defines social investors more broadly as those that can be seeking anywhere from pure social returns to a blend of social and financial returns.

Thus, the demand for social investment may be clear, but the incentives to supply are not. The answer to this conundrum, some maintain, lies in a new approach to discovering the returns on an investment. Three of these mechanisms for denoting social as well as financial value are *the triple bottom line*, *the blended value proposition*, and *the social return on investment*.<sup>16</sup>

### **The Case for Social Entrepreneurship in the Middle East**

To meet the needs of the Middle East's growing youth population and broader development needs, policymakers and other leaders are increasingly turning to entrepreneurship. Programs and policies that encourage entrepreneurship are being promoted as tools that help equip young people with the skills needed to create their own job opportunities as well as new opportunities for others. These efforts are also emerging as part of a spectrum of development programs and policy reforms aimed at ushering in a new era of competitiveness in the region based on a foundation of human capital development.

The opportunities provided by this emerging entrepreneurial focus do not end with job creation and increasing economic competitiveness. Entrepreneurial activity can play an important role in addressing the broader set of development challenges facing the region. In addressing these challenges, social entrepreneurship has a role to play that is just as important as traditional entrepreneurship. Just as entrepreneurs test innovations and start up new firms, in the case of social entrepreneurship, these innovations concentrate on how most effectively to address social needs, provide basic services, and achieve equitable development. In the case of social entrepreneurship, the start-ups and innovations concentrate on how most effectively to address social needs, provide basic services, and achieve equitable development. Within the existing and evolving ecosystem of national governments, private businesses and philanthropists, and external public and private resource flows, an emerging model of social entrepreneurship and social enterprise offers potential for supporting youth development and employment and helping to address other development challenges.

Social enterprises in the Middle East are active and innovating in a variety of sectors and industries. A majority of the existing social enterprises are engaged in human capital development. Many are nurturing a cadre of leaders with the experiences and skills needed to enhance the region's global competitiveness while also achieving social goals. Trends in the region point to an

increasingly important role and potential for such activities and for social entrepreneurship in general. These include the growing interest among youth in achieving social impact and growth in volunteerism among youth.

*Growing interest among youth in achieving social impact:* Recent surveys and research indicate that young people in the region are committed to social impact and are seeking ways to find greater meaning in their work. The 2009 Silatech Index, developed in partnership with Gallup, shows that over 70 percent of young people surveyed in Bahrain, Iraq, Qatar, Syria, and the United Arab Emirates believe that entrepreneurs help create jobs. Yet 72 percent of Palestinian youth and 65 percent of Yemeni youth agree with the statement "Entrepreneurs think only about their own wallets." Many of the region's youth, it seems, are yearning for business innovation that has more than personal profit in mind.

*Growth in volunteerism among youth:* With reported increases in volunteerism among the region's young people, there are indications that this generation has a strong commitment to social responsibility. When the Emirates Foundation and the U.S.-based Points of Light Institute set up a national volunteer center for the United Arab Emirates called Takatof to help match volunteers to civil society organizations, they were swamped with many more Emirati volunteers than they could place.<sup>17</sup> Efforts are under way to translate this observed increase in volunteering from anecdotal into quantitative evidence. The U.S.-based International Center for Innovations in Civic Participation and the Gerhart Center are beginning to map community engagement initiatives across the region, and they report, after preliminary desk research, "a growing number of innovative youth community engagement initiatives."<sup>18</sup>

This increased sense of social commitment expressed by a growing youth population—coupled with progress in the above-mentioned areas of easing costs (money, time, and resources) of doing business and the increasingly strategic orientation that is being adopted by the region's private philanthropy sector—could help the Middle

East to capitalize on the global movement of social entrepreneurship. Together, these represent promising trends for social entrepreneurs seeking to start their own enterprises, and seeking capital and talent. But these trends must continue to enable social enterprises to flourish.

It is important to note that social entrepreneurship has its limitations and should not be perceived as a panacea for tackling development challenges. For example, social entrepreneurs need engagement and support from both the government and the corporate sector in adopting their innovations on a larger scale. Moreover, social returns are difficult to measure and require innovative tools for evaluation and longer-term analysis.

This caveat aside, social entrepreneurship can be a transformative tool, one with the potential to usher in greater economic prosperity and social progress. A society that has a mature cultural and institutional environment for social entrepreneurship is one where individuals are encouraged and empowered to address social needs in sustainable and innovative ways; where businesses are motivated to forge partnerships with social organizations and communities for effective development; where social investment funding, whether through traditional philanthropic or innovative hybrid models, is institutionalized and encouraged; and where governments champion and recognize the development efforts of individuals and communities, form partnerships with them, and adopt and scale their innovations on local and national levels. Even with the nascent situation of the sector in the region, there are already promising examples of such positive developments. After briefly discussing the aims and methodology of this research, the next section highlights some of these examples.

### **The Project's Goals and Methodology**

The goals of the Middle East Youth Initiative and Silatech are to:

- Generate knowledge to build the field of social entrepreneurship and support the

incorporation of best practices in the Middle East on a local and regional level;

- Build awareness and advocate for the potential of social entrepreneurship among various stakeholders; and,
- Explore and develop mechanisms for long-term sustainability of the field of social entrepreneurship in the Middle East.

This report marks the first effort in pursuing these goals. As such its objective is twofold: to provide an overview of social entrepreneurship in the Middle East and to offer recommendations for the direction of its development. The report draws on global best practices and examples from the field as they relate to and can inform the experience of social entrepreneurship in the region. Furthermore, it attempts to synthesize and build on the activities, experiences, and knowledge of regional experts, social entrepreneurs, and case studies. Thus, the report aims to serve as a modest first step toward laying a foundation for the social entrepreneurship field in the Middle East and the consolidation of its "community of practice."<sup>19</sup>

To conduct the research for this report, the authors surveyed the landscape of individuals and institutions engaged in social entrepreneurship and social investment in the region. Between July 2009 and March 2010, the authors undertook a variety of efforts, including:

- Mapping the organizations and enterprises that promote and exercise social entrepreneurship and social investment in the region.
- Synthesizing the available literature on all 78 internationally recognized social entrepreneurs in the region (as of the writing of this report) and examining their cases for common trends, challenges, and opportunities.
- Examining the legal and regulatory environment and financing mechanisms supporting social entrepreneurship in the region through desk research, interviews, and roundtable discussions.

- Leading roundtables with social entrepreneurs, donors, support organizations, and investors in Egypt, Jordan, Lebanon, and the United Arab Emirates and conducting additional interviews with individuals from the aforementioned countries, Morocco, and the West Bank and Gaza. (A total of six roundtables were held, each attended by an average of 10 to 15 stakeholders, and 20 in-depth interviews were conducted.)<sup>20</sup>
- Co-convening policymakers, international donors, and private sector and civil society leaders in Washington to discuss the extent of social entrepreneurship and cor-

porate social engagement in the Middle East. (This half-day event was jointly led by the Corporate Social Responsibility Initiative at the John F. Kennedy School of Government at Harvard University and brought 40 leading stakeholders around the table.)

In addition, the Middle East Youth Initiative and Silatech commissioned original research by the International Center for Not-for-Profit Law to document the legal and regulatory environment governing nonprofit organizations, currently the most prevalent form of social enterprises in the region.

## II. THE LANDSCAPE OF SOCIAL ENTREPRENEURSHIP IN THE MIDDLE EAST

### A Nascent Sector

The recognition and practice of social entrepreneurship is expanding globally. Every year, more social entrepreneurs are being recognized by organizations such as Ashoka, the Skoll Foundation, and the Schwab Foundation for Social Entrepreneurship. Over the past several years, the term “social entrepreneurship” has been cited with increasing frequency in the mainstream media.<sup>21</sup> Further, academic programs and research centers dedicated to the subject are increasing around the world.<sup>22</sup>

Despite the growing attention given to the practice and concept of social entrepreneurship, the Middle East remains an underrepresented region in the literature on this field, with the exception of a handful of widely recognized case studies such as the Sekem Initiative in Egypt.<sup>23</sup> A simple Internet search of the terms for social entrepreneurship in Arabic (*rīyāda ijtimā’iyya* or *rīyāda mujtama’iyya* or *ibdā’ ijtimā’ī*) shows only a few relevant results.<sup>24</sup> This does not mean that social entrepreneurship is not being undertaken in the Middle East; rather, it indicates that the concept has not been integrated into scholarly discourse or mainstream culture in the way that it has in the English-speaking world.

Indeed, with the exception of Ashoka’s office in Cairo (which is itself a branch of a global organization with headquarters in the United States), the institutions supporting social entrepreneurs

in the Middle East are all based in Western countries. In addition, the application processes for a number of these organizations require proficiency in English, which limits the ability of such institutions to reach a significant proportion of the region’s population. This also leads to local perceptions that social entrepreneurship is largely an imported construct.<sup>25</sup> That said, there is evidence of a growing number of grassroots social entrepreneurs in the Middle East, many of whom operate on a small scale and thus are not captured or recognized by global organizations. More time and research are needed to identify and map these groups and their leaders.

This initial research has been informed, in part, by the work of social enterprises in the region that have not been as widely recognized. However, the following sections draw mainly from the experiences of social entrepreneurs who have been globally recognized by Ashoka, the Skoll Foundation, the Schwab Foundation for Social Entrepreneurship, Synergos’ Arab World Social Innovators program, and Echoing Green.<sup>26</sup> There are now an estimated 78 of these recognized and awarded social entrepreneurs in the Middle East. Their cases represent the breadth of ongoing efforts to effect social development in the region through innovative and sustainable means.

### Who Are the Social Entrepreneurs in the Region?

An examination of the personal backgrounds and professional accomplishments of the region’s leading social entrepreneurs shows seven common characteristics.<sup>27</sup>

“Social entrepreneurship is becoming established as a vocation and mainstream area of inquiry, not only in the United States, Canada, and Europe, but increasingly, in Asia, Africa, and Latin America.”

—David Bornstein, *How to Change the World: Social Entrepreneurs and the Power of New Ideas* (New York: Oxford University Press, 2007), 3.

*First, on average, the globally recognized social entrepreneurs in the Middle East are a highly educated group.* All individuals in the group have completed their formal educations, and the vast majority of them have university degrees (figure 3). Most have taken additional courses and training to further develop their skills in a variety of work-related areas. More than one-fifth of them have attained postgraduate degrees, including a number of PhDs. Among those social entrepreneurs from more modest backgrounds, most note that their education played an instrumental role in their personal growth and dedication to social entrepreneurship. Some see their own social enterprise as a way to provide educational and developmental opportunities to others who are less fortunate.

*Second, as children and youth, most individuals in the group were engaged in extracurricular activities in which they excelled, including sports, the arts, and various youth organizations.* Many led small-scale social and development activities before establishing their award-winning social innovations. With a few exceptions, most had professional experience—either in the traditional private sector, public sector or nonprofits—before they started their own initiatives.

*Third, more than one-third of this group has studied, lived, or worked outside the region.* A number of social entrepreneurs cite interacting with other cultures and experiencing different educational systems as having played an important role in their personal development. A few who have not studied or lived abroad reference international literature and culture as inspiring, or directly supporting, their work.<sup>28</sup>

*Fourth, all individuals in the group have an intimate understanding of the problems they are trying to solve.* For example, among the ten projects providing innovative services and products for disabled populations, nine are being pioneered by individuals who are themselves disabled or are the parents of disabled children who were frustrated with the lack of services available to them. Similarly, a number of those working on education were inspired to do so because of their own personal struggles with local education sys-

tems. Fairouz Omar, an Ashoka fellow who is reviving professional psychological counseling in Egyptian public schools, was motivated by her own experience as a teenager who switched from private to public school and found it difficult to cope with the lack of guidance for students in public schools.<sup>29</sup>

*Fifth, a majority of the social entrepreneurs are pursuing systemic change, and many are reaching out to government agencies to have a wide-reaching impact.* For example, Egyptian social entrepreneur and Ashoka fellow Essam Ghoneim has trained hundreds of nutritionists for employment in public schools and has collaborated with the governor of Alexandria and the ministries of education and social solidarity to improve food programs in 50 primary schools.<sup>30</sup> Samy Gamil, another Ashoka fellow in Egypt, is engaging several government ministries in his efforts to improve prospects for the hearing impaired by equipping them with information technology skills. Due to his advocacy efforts with the Ministry of Defense, the Egyptian military now accepts the hearing impaired in its technology courses.<sup>31</sup>

*Sixth, many social entrepreneurs are pioneering new areas of focus, service delivery methods, or products across a wide range of sectors.* Social entrepreneurs are responsible for many “firsts” in the region, such as the first educational program to introduce business skills in public schools (Injaz Al-Arab), the first mobile phone service that matches young people with jobs through an SMS software platform (Souktel), and the first outpatient center for tackling drug rehabilitation among young people in Lebanon (Skoun). A number of these innovations have transformed traditional ways of doing business in their respective sectors and are further highlighted below (see the section on “Key Activities and Sectors of Engagement”).

*Seventh, a majority of this group are drawn from only five countries: Egypt (which has 43 social entrepreneurs), the West Bank and Gaza (12), Jordan (8), Lebanon (6), and Morocco (4) (figure 4).* The rest—only five individuals, four of whom are young women—are from Kuwait (3),

FIGURE 3. INTERNATIONALLY RECOGNIZED SOCIAL ENTREPRENEURS BY HIGHEST EDUCATIONAL LEVEL ATTAINED

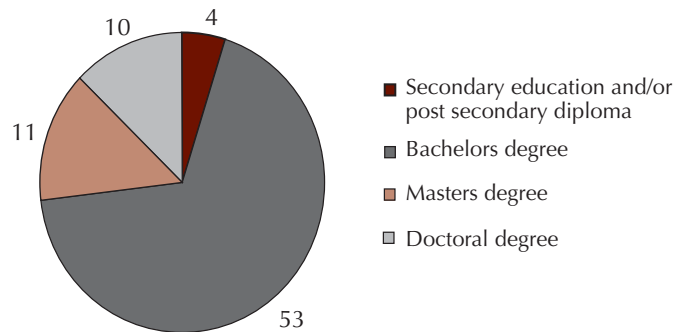
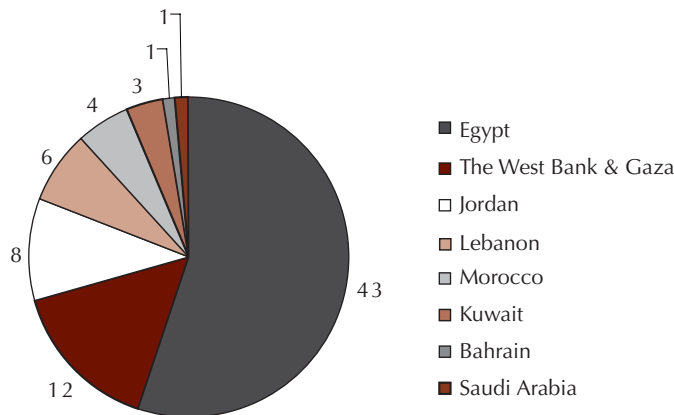


FIGURE 4. INTERNATIONALLY RECOGNIZED MIDDLE EAST SOCIAL ENTREPRENEURS BY LOCATION



Source: Authors' calculations, based on material available on the Ashoka, Skoll Foundation, Schwab Foundation, Synergos, and Echoing Green websites.

Saudi Arabia (1), and Bahrain (1). The geographic areas of focus of the awarding institutions and, often, that of their donors can partially explain the overrepresentation of some countries.<sup>32</sup>

Global organizations promoting social entrepreneurship are only beginning to scratch the surface of the talented social entrepreneurs in the region. As noted above, more work needs to be done to identify and map social enterprise start-ups across the region, especially in those countries, and regions within countries, that are currently underrepresented. Documenting these innovations will help shape our understanding of how the practice of social entrepreneurship varies across diverse geographic and cultural set-

tings. This type of knowledge is critical for understanding how local innovations can be adapted and brought to scale.

### Key Activities and Sectors of Engagement

The work of the 78 social entrepreneurs studied spans a wide range of fields, but the majority of them focus on *education and skills development, health, community development and civic engagement, and economic development and income generation*. As the following examples illustrate, there are often overlaps and linkages among these activities, with some social entrepreneurs operating across multiple fields.

### **Education and skills development**

One of the most significant contributions of social enterprises in the Middle East is in the area of human capital development. Initiatives include those providing informal and formal education, skills development, and opportunities for volunteerism as a bridge for gaining life skills and

professional experience. In this area, most social entrepreneurs are not providing isolated inputs, such as renovated school facilities or additional teachers, but are focused on wider-reaching reforms for education systems to enable them to become more responsive to the needs of the labor market (see box 1).

### **Box 1. Contributions of Social Entrepreneurship to Education Reform in the Middle East**

A number of innovative models emerging in the Middle East are strategically engaging the private sector and civil society in efforts to enhance public education. Such models are going beyond the traditional boundaries that have guided the educational activities of both charities and individuals, wherein donors have focused exclusively on providing educational infrastructure support such as the provision of information and communication technologies. As important as these investments are, new initiatives are taking a more strategic and systemic approach.

One example is Injaz (translated “Achievement”). With this program, Soraya Salti has successfully adapted the model of U.S.-based Junior Achievement Worldwide to the Arab world. When Salti launched Injaz in Jordan in 1999, the Injaz model was based on a partnership with private sector volunteers and the Ministry of Education to provide Jordanian children with life skills such as teamwork, entrepreneurial thinking, and work-readiness training. Through its efforts, Injaz garnered the support of Jordanian leaders, including Queen Rania, and subsequently that of leaders in other Arab countries. Today, it has become a “regional confederation” called Injaz al-Arab, which operates under cooperative agreements with ministries of education and with private sector support in 12 Arab countries. To date, Injaz al-Arab has directly benefited over 165,000 Arab youth.

Similarly, M’hammed Andaloussi, an Ashoka fellow in Morocco, was inspired to develop a holistic model for comprehensive partnership in education. This model was incorporated into Andaloussi’s organization Al Jisr (translated “the Bridge”), which administers community “adoption” programs for public schools in Casablanca. In this program, businesses form partnerships with public schools wherein they commit their time, expertise, and resources to a school for a period of two to five years. School support committees engage sponsoring business leaders, parents, school principals and teachers to determine the needs of each school and the resources that businesses can realistically offer in a participatory manner. Al Jisr now reaches over 170 public schools, and it is beginning to expand to other cities in Morocco. Andaloussi was able to expand his model by tapping into the largest business association in Morocco, La Confédération Générale des Entreprises du Maroc. Furthermore, he received the support of the king of Morocco, who is the honorary chairman of the board, and the cooperation of the Ministry of Education and local governance agencies.

*Sources: Information on Injaz drawn from: Skoll Foundation, “Recipients of Skoll Awards for Social Entrepreneurship,” [http://www.skollfoundation.org/grantees/index.asp#h\\_537%23p\\_home](http://www.skollfoundation.org/grantees/index.asp#h_537%23p_home); and Schwab Foundation for Social Entrepreneurship, “Salti Soraya,” <http://www.schwabfound.org/sf/SocialEntrepreneurs/Profiles/index.htm?sname=160568&sorganization=0&sarea=0&ssector=0&stype=0>. See also Injaz Al-Arab’s website: <http://www.injazalarab.org/>. Information on Al Jisr drawn from: Interview with Al Jisr, December 23, 2009; and Ashoka Arab World, “M’hammed Abbad Andaloussi,” <http://www.ashoka-arab.org/ashoka/contentPage.php?page=942>. See also Al Jisr’s website: [www.aljisr.ma](http://www.aljisr.ma).*

## **Health**

Social entrepreneurs in the Middle East have also led a number of pioneering efforts in the health sector. Skoun in Lebanon, as mentioned above, has introduced unprecedented drug rehabilitation services. In Cairo, Care with Love trains young graduates as home health care providers to serve the elderly and others in need, and has recently franchised its model to other cities in Egypt. The Breast Cancer Awareness Foundation of Egypt has created campaigns and provided informational resources to the public to promote breast cancer screening and detection, while Gameyat Zakat al-Dam has worked to influence policies to build awareness of the importance of blood donations and promote safe donation practices.

## **Community development and civic engagement**

A number of social entrepreneurs in the region are working toward community development based on active civic engagement. Innovative models include those of Saudi Arabian Ashoka fellow Saadya El Wafy and Jordanian social innovator Rabee Zureikat. El Wafy established the country's first "civil district councils"—structures that allow the members of marginalized communities to determine their own needs and address them in partnership with donors, governmental officials, and volunteers. Zureikat founded a model of "voluntourism" whereby affluent young volunteers from Amman spend a day in a rural low-income community engaging in cooperative activities, including arts and crafts and tourist activities led by the youth of the community. The volunteers pay a fee to participate in the activities, and the proceeds are invested into the initiative to provide microloans for youth in the community to start their own enterprises.

## **Economic development and income generation**

Pro-poor growth has been identified as a critical goal for development policies and programs and is an important factor in securing more stable and equitable societies in the region.<sup>33</sup> Within this context, social entrepreneurship is beginning to offer innovative models for the economic

inclusion of those who have been marginalized, with a significant proportion of the 78 social entrepreneurs described in this section working in this area.

A number of social entrepreneurs are working to empower rural and agricultural communities by introducing them to innovative technologies and new products that are marketable on a global scale. Their initiatives include connecting the expertise of indigenous rural women in developing natural cosmetics and medicinal products in Morocco to local and international trade fairs (Association for Sustainable Development); and the successful introduction of jojoba as a new, labor-intensive industrial crop suitable for desert environments, creating employment opportunities in Egypt (Egyptian Company for Natural Oils).

Others are developing models for economic inclusion in urban centers targeting unemployed youth and low-income communities. Examples include the above-mentioned Souktel, which matches young people with job opportunities via mobile technology, and the Alashanek Ya Balady Association for Sustainable Development (AYB-SD), which provides microcredit loans, training, and job opportunities to low-income youth, women and families in Cairo.

One area that remains largely overlooked by the region's support institutions for social entrepreneurs is microfinance. Surprisingly, only one of the 78 social entrepreneurs has been recognized for their work in the microfinance industry. Yet the industry, an important and familiar example of the potential of social entrepreneurship, is growing in the Middle East. Sanabel, an umbrella microfinance organization with over 60 member microfinance institutions (MFIs) across the Arab region, estimates that in 2008 there were over 3.1 million microfinance borrowers within 10 Arab countries, including Egypt, Iraq, Jordan, Lebanon, Morocco, Palestine, Tunisia, Sudan, Syria and Yemen.<sup>34</sup> The median gross loan portfolio per country was estimated to be \$7.5 million in 2007, an increase from \$4.9 million just one year before. Importantly, microfinance is playing a role in women's empowerment, with

women making up an estimated 75 percent or more of borrowers in Egypt, Jordan, Sudan, and Yemen.<sup>35</sup>

Despite the blossoming of the industry, micro-finance is heavily concentrated in certain parts of the region and not others. For instance, in 2005, 85 percent of all active borrowers and 67 percent of loans outstanding were in Morocco and Egypt.<sup>36</sup> Moreover, in many countries, micro-finance is limited by regulatory structures governing the sector. Most MFIs in the region are legally registered as nonprofit organizations. Because of this, they are not allowed to receive and manage savings deposits, which is normally how MFIs expand their capital. Even in Syria and Yemen, where MFIs are allowed to offer savings

services, the usage of these services remains low, as these are new markets; MFIs must build their credibility with clients before attracting widespread participation.<sup>37</sup>

### **Operational Models and Legal Entities**

Based on their legal form and revenue sources, social enterprises can be divided into four categories: leveraged nonprofits, enterprising nonprofits, hybrid enterprises and social businesses (see box 2).<sup>38</sup> These four types of social enterprises can be placed on a spectrum in relation to traditional nonprofit or philanthropic organizations at one end and commercial businesses at the other end, as demonstrated in figure 5.

#### **Box 2. The Different Organizational Models of Social Enterprise**

**Leveraged nonprofit:** A leveraged nonprofit is one that does not have an income-earning strategy but has secured sustainable partnerships and funding to move beyond the traditional donor-dependent model.

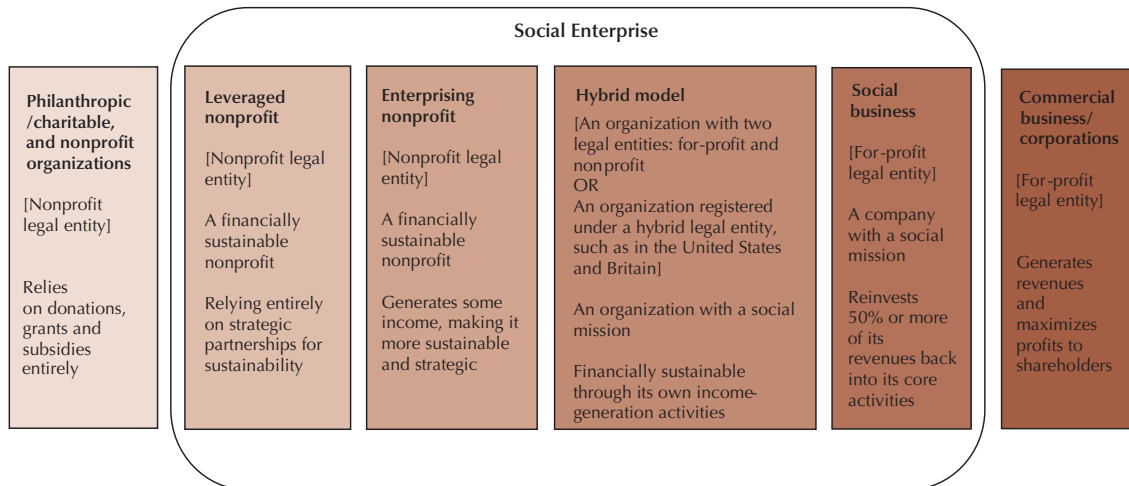
**Enterprising nonprofit:** An enterprising nonprofit is a registered nonprofit organization with a strategy for earning a part or all of its income and thus recouping a part or all of its costs. Because they are less reliant on, or even completely independent from, subsidies and grants, these types of nonprofit social enterprises are able to afford greater innovation, creativity, and long-term planning.

**Hybrid enterprise:** A hybrid enterprise combines aspects of the for-profit and nonprofit legal models, either through an innovative legal structure – such as the low-profit, limited liability company (L3C) in the United States, or the community interest company (CIC) in the United Kingdom – or by using a for-profit subsidiary to support the social activities of the nonprofit.

**Social business:** A social enterprise that is a registered for-profit company is called a social business. Unlike traditional for-profit business, which is primarily profit-driven, the social business is primarily and explicitly driven by social objectives. Muhammad Yunus, the founder of Grameen Bank, defines social business as a company that is “cause-driven rather than profit-driven” and that can be called a “non-loss, non-dividend business.” It generates revenues from its products or services but, by Yunus’s definition, all revenues are fed back into the business instead of being returned to its shareholders or investors as profit. There is some debate as to whether a full 100 percent of the revenues of a social business must be recycled, or whether a small share can be distributed and the enterprise can still be considered a social business. For the purpose of this report, we have adopted the position that a social business is one where at least 50 percent of revenues are reinvested in the enterprise.

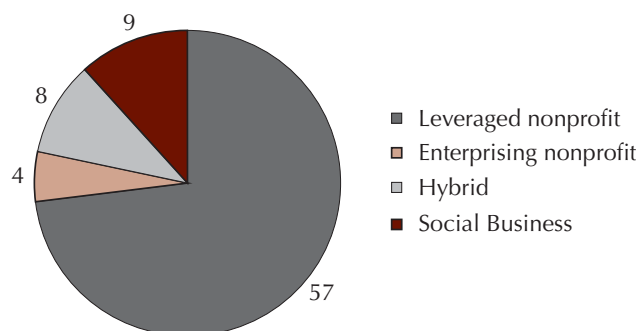
*Sources: For more on leveraged nonprofits, see: John Elkington and Pamela Hartigan, *The Power of Unreasonable People: How Social Entrepreneurs Create Markets That Change the World* (Harvard Business Press, 2008); and “About the organizational models,” Schwab Foundation for Social Entrepreneurship, <http://www.schwabfound.org/st/SocialEntrepreneurs/Profiles/Abouttheorganizationalmodels/index.htm>. On enterprising nonprofits, see: J. Gregory Dees, Jed Emerson and Peter Economy, *Enterprising Nonprofits: A Toolkit for Social Entrepreneurs* (Hoboken, NJ: Wiley, 2001). On social businesses, see: Muhammad Yunus, *Creating a World Without Poverty: Social Business and the Future of Capitalism* (New York, NY: PublicAffairs, 2008), 22-24.*

FIGURE 5. THE SPECTRUM OF SOCIAL ENTERPRISES (ARRANGED BY LEGAL FORM AND REVENUE SOURCE)



Source: See box 2 for source information on models of social enterprise.

FIGURE 6. INTERNATIONALLY RECOGNIZED SOCIAL ENTREPRENEURS BY ENTERPRISE TYPE



Source: Authors' calculations, based on material available on the Ashoka, Skoll Foundation, Schwab Foundation, Synergos, and Echoing Green websites.

The majority of recognized social enterprises in the region deliver and implement their ideas through the *leveraged nonprofit* model (figure 6). As mentioned above, leveraged nonprofits are able to capitalize on the interest of a variety of stakeholders to create a diversified portfolio of funding as well as to secure the support of multi-stakeholder partnerships, thereby leading to fairly sustainable growth. A widely cited example of this model is the Injaz Al-Arab regional federation (see box 1).

When examining the group of recognized social enterprises in the region, one observes the paucity of *enterprising nonprofits* among them. Indeed, few social enterprises in the region have been able to attain a level of self-financing or revenue generation that would qualify them as enterprising nonprofits. The important role that governments in the region can play in modifying existing legal frameworks to allow for greater flexibility in income generation activities and fundraising is discussed later in this report.

A small number of social entrepreneurs have chosen to leverage the flexibility of a *hybrid model* to implement their ideas through a combination of nonprofit elements and revenue-generating ones. AYB-SD in Egypt, for example, has grown to incorporate both the models of the leveraged nonprofit and the social business (see box 3).

In certain sectors, *social businesses* are more suitable and more likely to grow than those using the enterprising nonprofit and leveraged nonprofit models, particularly in light of recent reforms in the region, which have improved the environment for private companies. One specific type of social business—the cooperative model—is emerging as a particularly useful instrument for those social entrepreneurs in the re-

gion who aim to improve the standard of living of low-income rural communities. In Morocco, for example, cooperatives are allowing rural women to develop income-generating projects based on their expertise in local plant harvesting or handicraft production.<sup>39</sup> Similarly, in Jordan, Zeinab al Momani succeeded in creating the region's first women's agricultural cooperative, the Sakhray Cooperative and Union. Today, five years after Sakhray's founding, seven cooperatives have been established, growing from 35 to 170 members and granting over 800 revolving loans.

*Global Entrepreneurship Monitor's* survey of new and established business owners shows that social businesses (which they designate "for-profit

### **Box 3. Alashanek Ya Balady's Twin System and Financial Sustainability**

The Alashanek Ya Balady Association for Sustainable Development (AYB-SD) —a youth-led organization with a number of development programs targeting poor communities in Egypt (including training, microcredit, and cultural awareness and health initiatives) is unique in its approach to sustainability. AYB-SD has social ventures that create both social impact and financial sustainability for the organization. Each program run by the organization has a twin social venture. This social venture generates profits to pay off the operation costs of its corresponding program. The for-profit social ventures affiliated with AYB-SD include:

—**Revive**, which offers specialized and soft skills training for university youth, institutional development courses for nonprofit organizations, capacity building for students in schools, and professional courses for multinationals and small and medium-sized enterprises. This social venture is paired with AYB-SD's Training and Career Guidance Program (TCGP), which targets low-income youth and women, and covers its operational costs. Revive also contributes its training manuals to TCGP.

—**Zaytoona**, which is the brand name given to the products of the community's vocational center in Old Cairo. The vocational center was established in Old Cairo in 2006 and turned into a social venture in 2007. It produces high-quality, handmade products for upper-middle-class women in Egypt and the Middle East. Zaytoona is paired with AYB-SD's Vocational Training program, which trains poor communities in Old Cairo on sewing skills, leather making, and handicraft production. The best trainees from the vocational center are hired by Zaytoona to produce its branded products.

—**Tafanin**, which promotes social responsibility through art and culture, producing corporate social responsibility campaigns that address community problems while creating marketing opportunities for companies. Tafanin provides high-quality graphic design and information technology services to organizations and companies. Tafanin is paired with and covers the costs of AYB-SD's Cultural and Health programs for low-income children and families. Tafanin also contributes to children's development by producing manuals for the Cultural and Health Awareness Program.

Source: Adapted from "Sustainability," AYB-SD, <http://www.ayb-sd.org/>

social enterprises”) are the most common model chosen for social impact activities in the United Arab Emirates, as opposed to hybrid social enterprises, enterprising nonprofits (which they designate “not-for-profit social enterprises”), or traditional nonprofits.<sup>40</sup> Notwithstanding these findings, recognized examples of social businesses in the Middle East are rare. They include the Sekem Initiative in Egypt and Grameen-Jameel, a joint venture providing technical and financial support to MFIs in the Arab world.<sup>41</sup> These businesses demonstrate market-level financial performance and competitiveness while expressing an equal or greater commitment to a social aim. Sekem and Grameen-Jameel are largely exceptional in the Middle Eastern context in the scale and growth that they have achieved. Later sections of this report provide a deeper analysis of the restrictions and limitations causing such models to remain the exception.

### **Challenges Faced by Social Entrepreneurs in the Region**

Social entrepreneurs in the Middle East face a number of challenges, some in common with their counterparts globally, and others more unique to the environment in the region. Their challenges can be clustered in three broad categories: challenges related to policymaking and governance, the need for greater institutional and operational support, and a lack of social and cultural awareness and recognition of their work.

First, because most social enterprises in the region are legally registered as nonprofit organizations, social entrepreneurs find themselves struggling with restrictive regulatory environments and bureaucratic procedures that often limit their ability to become sustainable or to scale up. In addition, several social entrepreneurs note that

they lack knowledge of current laws and how to positively use the provisions of these laws, for instance, to create income-generating activities for sustainability.<sup>42</sup>

Second, the growth of social entrepreneurship in the region is limited due to a gap in access to finance and investments geared toward the sector. Many of the region’s social entrepreneurs rely on funding from international donors and note the difficulty of securing funds for their core operations and activities from these donors. Because funding tends to focus on short-term project financing, the sector’s ability to engage in long-term planning, develop self-sufficiency, and achieve larger impact is limited.<sup>43</sup> Access to other sources of financing, such as repayable commercial loans from banks, remains a limited option for nonprofit social enterprises.<sup>44</sup>

In addition, social entrepreneurs have limited access to technical support (i.e., management consulting services, financial and business planning, legal counseling, impact evaluation, and marketing and training). To enable social entrepreneurs to flourish, wide-ranging collaborations with the private sector and a more evolved support sector are needed.

Third, social entrepreneurship is neither widely recognized nor understood as a concept in the region. Academic institutions have yet to capitalize on this growing field of study and to integrate its ideas, impact, and potential in their work. Furthermore, local media has not played a role in showcasing its existing successes. Finally, educational systems and social norms in the Middle East create an environment that often discourages innovation and dissuades young people from acting assertively and creatively on the challenges they face.

### III. KEY INSTITUTIONAL ACTORS AND OPPORTUNITIES FOR COLLABORATION

Social entrepreneurs have pioneered innovative and sustainable solutions for a variety of economic, environmental, and human development challenges. Having witnessed the achievements of social entrepreneurs and social enterprises globally, policymakers are beginning to ask how they can create an enabling environment that supports the growth of such initiatives in their own countries. In addition, corporate leaders, educators, philanthropists, donors, and investors are seeking ways to apply their strengths and resources to support these efforts. The following sections of the report describe the role of key institutional players—government, the corporate sector, investors, donors, intermediaries, and the education system—in creating a conducive environment for social enterprises.

Critical institutions—such as the media and religious institutions—are not addressed here at length, although they play a defining role in shaping the social enterprise sector. Indeed even with governments, businesses, and academic institutions all supporting the work of social entrepreneurs, there is a need to communicate their activities to a wider audience. Thus the media represents a powerful tool for bringing attention to the efforts of social entrepreneurs and social enterprises, profiling them as role models and helping to encourage more entrepreneurial mindsets and behaviors.<sup>45</sup>

There is also enormous potential in the rapidly progressing field of social networking media, which is serving as one of the most important drivers of innovation and growth in the social enterprise industry. Online media platforms have emerged as a critical component in introducing and sharing the concept of social entrepreneurship with a wider audience. Social entrepreneurs, especially young ones, have seized the opportunity to use social networking and communications tools, not just to promote their work but also to learn more from others in the field. In addition, mobile technology has been integrated into core activities and service delivery capabilities of specific social enterprises. As mentioned above, SoukTel uses SMS technology in the West

Bank and Gaza to match jobseekers with employment opportunities and to allow aid workers to send information to custom lists of aid recipients or field staff.<sup>46</sup>

Equally important, in the Middle Eastern context, is the influence of religious beliefs and institutions. Religion is a driving force for values and attitudes among young people in the region, and thus in how they choose to interact with their communities and conceive their civic roles. In a study on youth volunteerism in Egypt, Ibrahim found that,

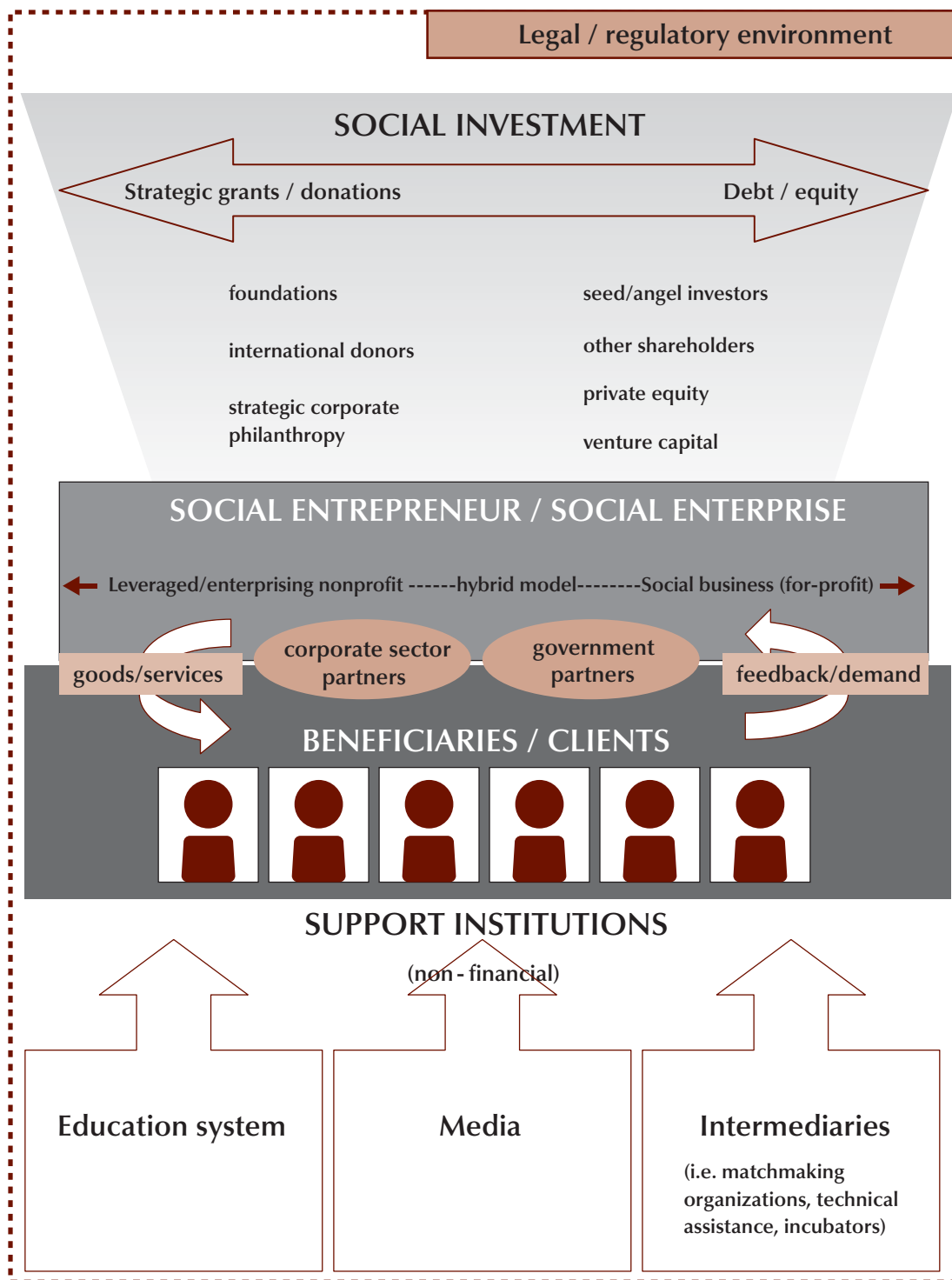
“Young people frame their participation in public life in terms of piety and the accumulation of spiritual capital ‘for this life and next... This is so pervasive that we really have to conclude that a revival of religion is also creating a revival in thinking about ways to participate in public and be in the community.’”<sup>47</sup>

Furthermore, many faith-based organizations in the region are leading the way in innovating solutions to development needs on the grassroots level.

Longstanding traditions and practices of religious giving, including the Islamic *zakat* and tithing represent significant potential with regard to giving to sustainable development, including social entrepreneurship. Yet *zakat* continues to be largely restricted to short-term, relief and ad hoc charitable causes despite a long and established history of its strategic uses. Moreover, because narrow understandings of religious giving are dominant, social entrepreneurs aiming at social change and development are often excluded from this source of promising financing options.<sup>48</sup> Here, religious institutions, authorities, and the media have a role to play in raising awareness about the importance of giving and investing in sustainable development and strengthening social institutions, as based on established religious interpretations and historical precedents.<sup>49</sup>

Figure 7 captures how relationships between key players would function on a *broad level* in a thriving ecosystem. The schematic diagram is based on an analysis of social enterprise sectors

FIGURE 7. THE ECOSYSTEM FOR SOCIAL ENTREPRENEURSHIP



Note: The “ecosystem” framework has been used before to describe the environment of institutions and actors in which social entrepreneurs operate. See, for example Paul N. Bloom and J. Gregory Dees, “Cultivate Your Ecosystem,” *Stanford Social Innovation Review* 6, no. 1 (2008): 47-53. CASE, “Developing the Field of Social Entrepreneurship,” 2.

#### **Box 4. Ecosystem for Social Entrepreneurship: Description of Main Components**

**Government:** Government establishes the regulatory framework under which social enterprises operate. These include establishing legal organizational types, labor laws, tax policies, regulation of capital markets and the like. Beyond creating and enforcing this framework, the government can engage with social enterprises through public-private partnerships, contracting and outsourcing, or adopting social enterprise models within the government itself. Modes of governance, in general, not only shape the macro regulatory and policy environment, including market flexibilities or rigidities, but also the day-to-day incentives for businesses and NGOs.

**Corporate sector:** The corporate sector offers the opportunity for partnerships critical to expanding the activities of social enterprises. Partnerships between corporations and social enterprises can help corporations “see value in new markets, reposition their brands, and provide deeper engagement in solving social problems as a talent retention strategy.” With the right level of awareness and tax and other incentives, the corporate sector can provide social enterprises, especially enterprising nonprofits, with in-kind and/or financial support. For a corporation that wishes to work with a for-profit social enterprise, there are rarely tax incentives; however, there are other forms of partnership whereby social enterprises can be included as suppliers in corporate sector value chains. Social enterprises can also provide the space for experimentation with new models that can later be adopted by corporations.

**Investors:** Without individual investors and more organized social investment funds or networks, social entrepreneurs are not able to effectively grow their ideas. In the United States and other countries, social investment funds have a tax-exempt status under which their donors can claim tax write-offs. While angel and seed investors provide early-stage capital, social venture investment funds usually provide second-round funding for scaling up and are able to provide a range of funding options, including equity, debt, grants, or a combination. The ability of nonprofits to access social venture funds is limited; when available, they are usually only in grant form. For social businesses registered as for-profit, all financing options are normally open whether debt, equity, grant, or a combination.

**Intermediaries:** These are organizations, support networks, or information providers that offer a variety of services connecting social entrepreneurs and enterprises with the capital and services they need to build their organizations. In the global social investment landscape, there is some overlap between investors and intermediaries, with a number of organizations providing a blend of financial investment and technical assistance. Intermediaries are needed to cut transaction costs and clarify risks to potential investors.

**International donors:** International donors—including official bilateral and multilateral donors as well as philanthropic foundations—work with social enterprises (mostly nonprofit organizations) through grants. Social businesses have limited access to funding from philanthropic foundations or companies due to their inability to provide tax exemptions on donations in most cases. Generally, enterprising nonprofits are prohibited from using these funds to support commercial activity for sustainability and scalability or core funding.

**Education system:** Educational institutions have several roles in a healthy social entrepreneurship ecosystem. They can create an environment for social entrepreneurs to be discovered and nourished by (i) exposing students to the needs of their local communities and (ii) ensuring skills development through community work and business planning exercises. These institutions also can create mechanisms for ongoing support to social enterprises by (i) encouraging professors and students to provide assistance to social enterprises through service learning and other mechanisms, and (ii) analyzing case studies and providing impact evaluation services. Finally, they can engage in research and development that benefit social enterprises in developing and improving products and services.

*Source: Quote on partnerships between the corporate sector and social enterprises excerpted from: Schwab Foundation's Global Agenda Council on Social Entrepreneurship, January 2010.*

in a variety of developed and emerging economies. It is important to note that the relationships and the components of this ecosystem are more fluid than presented in this simplified diagram. There are also overlaps in roles. Box 4 provides a brief explanation of each of the institutional actors and their roles within this ecosystem.

### The Role of Government

In any country or region, the impact of social entrepreneurship is strongly influenced by the stance of the local or national government, including *how* and *to what degree* governments engage with homegrown social entrepreneurs and enterprises. As shown in the bottom half of figure 8, governments might restrict or even actively obstruct the growth of social enterprises. Alternatively, they might adopt a “do no harm” approach: removing barriers and allowing social enterprises to grow, but not actively pursuing broader reforms to develop a more conducive environment for social entrepreneurs. On the more positive side (the top right quadrant of the figure), governments might encourage social enterprises to take an active role in addressing social problems.

Social entrepreneurs have proven that they can operate and achieve success in some of the most difficult circumstances. Still, the complex range of social, environmental, and economic challenges affecting countries throughout the Middle East demands that these enterprises be given both a sustained and conducive regulatory environment in which to test, implement, and, most

important, scale up their successes. Social entrepreneurs can be particularly important in the region’s formerly state-dominated and transitioning economies, where governments can no longer sustain their role as the sole provider of social services and benefits. Cooperation between social enterprises and governments is critical for the overall social, economic, and environmental development of the region’s countries.

In the Middle East, with few exceptions, governments have been relatively passive in regard to social entrepreneurship and have not adopted specific positions or policies toward social entrepreneurs and social enterprises. The constraints for social enterprises in the region’s individual countries vary, yet the opportunities are vast for its governments to take active steps to encourage and promote the work of social entrepreneurs.

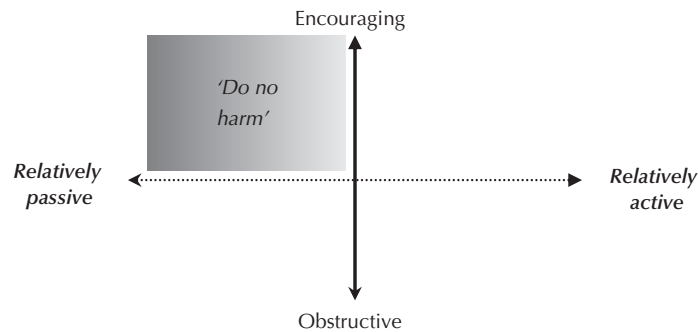
In analyzing the array of rapidly developing, innovative practices being tested by governments around the world, it is apparent that governments can affect the growth and development of social entrepreneurship in three main areas:

- Creating and enforcing the appropriate regulatory framework for the functioning of social enterprises;
- Rewarding successful social entrepreneurs and social enterprises through recognition, procurement and partnership; and,
- Developing and supporting the broader ecosystem for social entrepreneurship.

“The best social entrepreneurs have great results. Government is looking at ways to get results at low costs. Social entrepreneurs can help them achieve this. They can test new ideas and innovations, and partner with government to bring successful ones to scale.”

—Eric Schwarz (CEO, Citizen Schools), quoted by Andrew Wolk, “Social Entrepreneurship and Government: A New Breed of Developing Solutions to Social Problems,” in *A Report to the President, 2007* (Washington: Small Business Administration, 2007), 27-28.

FIGURE 8. TYPES AND DEGREES OF GOVERNMENT ENGAGEMENT WITH SOCIAL ENTREPRENEURSHIP



The following section provides some examples of international best practices in these areas of influence and describes the state of government engagement in each of these areas in the Middle East.

**The appropriate regulatory framework for social enterprise**

Because social enterprises are a relatively new phenomenon, they adhere primarily to existing legal codes governing traditional for-profit businesses and nonprofit organizations (i.e., associations, foundations). The legal framework serves to define types of activities (i.e., private or public interest) and tax obligations for each organization type. In addition, the legal code defines the rules for establishing, operating, and closing an entity, as well as setting labor regulations and licensing requirements. This section focuses on some of the central parts of the legal framework and describes their relevance for social enterprises, both globally and in the Middle East.

**Organization Type and Registration Requirements**

Globally, though most countries have separate legal frameworks and tax codes governing for-profit and nonprofit ventures, some permit nonprofit organizations to generate revenues, as long as they are not distributed to directors or shareholders and are connected to the public interest.

In the United States and the United Kingdom, for example, some national- and state-level policy initiatives are creating new options for social enterprises seeking blended social and financial returns (see box 5). The low-profit, limited liability company (L3C) is an innovative new structure being piloted in several states in the United States. The L3C allows for-profit initiatives that are addressing social problems to accept selected philanthropic funds.<sup>50</sup> In the United Kingdom, the community interest company (CIC) is a new type of community-oriented company.<sup>51</sup> This flexibility provided by these structures allows organizations to benefit the public interest while pursuing sustainable returns, which can contribute greatly to the growth of social enterprise.

In the Middle East, such inclusive and flexible organizational types do not yet exist. In a few countries, the not-for-profit company option has existed, but it has either been abolished (Jordan) or has been made more difficult to secure (Egypt).<sup>52</sup> There are currently no options that approach the mixed status of a L3C or CIC, allowing organizations to smoothly combine business methods and activities that have a social impact.

Some social entrepreneurs in the region choose to register legally as for-profit companies. In this area, there is increasing governmental support. Since countries in the Middle East have come to recognize the importance of the private sector in

spurring development and tackling social needs, governments have taken active steps in reforming the regulatory environment for businesses, as noted above.

Despite these reforms, entrepreneurs in some countries still experience significant barriers to doing business. Moreover, in many parts of the region, there is a general lack of trust in government among citizens and corruption is perceived as being extensive. For instance, the 2010 Silatech Index found that less than half of youth thought their governments were doing enough to fight corruption in Lebanon, Iraq, Syria, Egypt, the Palestinian Territories, Morocco, and Algeria (table 1). Further, when asked “If someone wants to start a business in your country, can they trust the government to allow their business to make a lot of money?” less than half of those surveyed replied affirmatively

in Lebanon, Iraq, the Palestinian Territories, Algeria, Yemen, and Egypt.

In many countries in the region, there is also little protection for an entrepreneur or social entrepreneur if he or she fails, with bankruptcy laws largely seen as not supporting but instead penalizing risk taking and entrepreneurial innovation.<sup>53</sup> Legislative reform in this area could encourage a culture of continuous trial and error, instead of reinforcing the social stigma linked with business failure.

For some social enterprises, the cooperative model can provide a flexible, enabling environment for social entrepreneurs seeking financial sustainability. However, interviews with many of the region’s social entrepreneurs revealed widespread skepticism of cooperatives; they were either perceived as a relic of socialist-style eco-

### **Box 5. Companies with a Social Purpose: The Community Interest Company and the Low-Profit, Limited Liability Company**

The *community interest company* was created as a distinct legal form in the United Kingdom under the Companies Act 2004. The legislation on the rules and operation of CICs took effect in July 2005. The government-designated regulator of CICs describes the vehicle as “a new type of limited company designed specifically for those wishing to operate for the benefit of the community rather than for the benefit of the owners of the company.” The CIC was introduced to allow companies to formally “lock assets,” requiring them to go toward public benefit activities without acquiring charity status.

The *low-profit, limited liability company* is “a for-profit venture that under its state charter must have a primary goal of performing a socially beneficial purpose not earning money.” It was first signed into law in the state of Vermont in 2008 and now operates in five states in the United States. The L3C was created to allow private funding to more easily flow to social programs. L3Cs are eligible for previously hard-to-access “program-related investments” from foundations—loans, equity investment, or guarantees (non-grant investments), which, if returned to the foundation, must be reinvested in another program-related investment or granted within a year. The L3C is marked by its “ability to allocate risk and reward unevenly over a number of investors, thus ensuring some a very safe investment with market return.” This allows the L3C to make use of tranching investments: philanthropic investors may seek a higher rate of social return and lower rate of financial return, whereas other investors may receive a higher rate of financial return. In the United States, social entrepreneurs and legal experts are currently developing proposals for other legal forms at the state level that could be more responsive to the needs of social enterprises than the current L3C model.

Sources: Fraser Valley Centre for Social Enterprise, “Analysis of L3C and CIC Social Enterprise Models,” October 2008; “The New Double Bottom Line,” *Entrepreneur.com*, March 20, 2010, accessed via Nexis; Americans for Community Development, “About L3C,” <http://americansforcommunitydevelopment.org/about.html>; “Community Interest Companies,” *Community Interest Companies Regulator*, <http://www.cicregulator.gov.uk/aboutUs.shtml>; and “New Corporate Structures,” session at the Social Capital Marketplace Conference, San Francisco, September 1-3, 2009.

TABLE I. QUESTIONS ON YOUTH PERCEPTIONS OF GOVERNANCE (% ANSWERING AFFIRMATIVELY)

Country	Do you think the government of your country is doing enough to fight corruption, or not?	If someone wants to start a business in your country, can they trust the government to allow their business to make a lot of money?
Algeria	47	38
Bahrain	54	61
Egypt	42	48
Iraq	29	36
Jordan	59	59
Kuwait	68	61
Lebanon	24	26
Morocco	46	57
Palestinian Territories	46	37
Qatar	n/a	71
Saudi Arabia	78	69
Syria	32	61
Tunisia	75	75
United Arab Emirates	88	78
Yemen	52	46

Source: Silatech and Gallup, "The Silatech Index: Voices of Young Arabs," January 2010, [http://www.silatech.com/en/media/get/20100224\\_silatech-wave2-report-poll-29.01.2010.pdf](http://www.silatech.com/en/media/get/20100224_silatech-wave2-report-poll-29.01.2010.pdf).

conomic organization or subject to government intervention and manipulation. They are often regarded as a nonviable legal form by many social entrepreneurs in the region.<sup>54</sup>

Finally, while for-profit companies may experience easier registration processes than nonprofits and are able to access additional types of financing (i.e., equity investments and commercial bank loans), they also face much higher taxation than nonprofits. For social entrepreneurs seeking to maximize social impact as well as financial sustainability, choosing the "for-profit" option over "nonprofit" becomes challenging and requires careful cost-benefit analysis.

Nonprofit organizations, which remain the legal entity of choice for most social entrepreneurs, face a more restrictive reality than for-profit firms. With few exceptions, the legal and regulatory environment for nonprofit civil society orga-

nizations in the Arab region should be revisited. More flexibility for nonprofits would improve access to opportunities and growth for many of the region's social entrepreneurs.

Positive efforts to improve the registration of nonprofits are emerging in Lebanon, Morocco, and the West Bank and Gaza.<sup>55</sup> For example, efforts that give a person the right to establish informal (nonregistered) associations can help facilitate the growth of social entrepreneurial activities. Yet challenges remain in many of the neighboring countries, especially those related to mandatory registration options.

Registration often requires a large amount of documentation and interaction with several ministries. For example, Bahrain's Decree on Associations, Social and Cultural Clubs, Special Committees Working in the Field of Youth, and Sports and Private Institutions (Decree 21 of

1989) mandates associations to register under the Ministry of Social Affairs, the Ministry of Information, or the General Organization for Youth and Sports, depending on their activities. With each government agency or ministry developing its own regulations, the chance of arbitrary rejection increases.

In addition, many nonprofit laws in the Middle East require a high number of initial founders, adding further difficulties for new nonprofits to register. Yemen, for example, requires no fewer than 21 initial members (41 at the time of the first meeting) to register a new association, while the United Arab Emirates and Qatar each require 20 initial founders.<sup>56</sup> These initial membership regulations can serve as a barrier to new initiatives attempting to respond in a timely manner to current social and developmental needs.

The long-term sustainability of nonprofits is also affected by restrictions on fundraising, income-generating activities, poorly defined tax incentives, and a lack of coherent procurement and grant mechanisms. In addition, nonprofit organizations suffer from restrictions on the types of activities they can undertake, arbitrary enforcement of the law, restrictions on engagement with foreign organizations, and severe criminal punishments for violating laws related to these restrictions.

#### *Tax Policies and Fiscal Incentives*

A number of approaches to tax legislation affect social enterprises engaged in public benefit activities.<sup>57</sup> Whether applied to for-profit or nonprofit organizations, these approaches vary by how they distinguish profits that are related to public benefit activities from those that are related to private benefit activities. The approaches range from a blanket tax (i.e., all profit is taxed the same, regardless of whether it is related to public benefit activities); a destination-of-income tax (the profit is tax exempt if it is then used *toward* a public benefit activity); a source-of-income/relatedness tax (the profit is tax exempt if it is generated *from* a public benefit activity); a mechanical tax (the profit is taxed depending on a ceiling or other mechanical measure); and, hybrid approaches.<sup>58</sup>

In the Middle East, for-profit organizations are generally subject to a blanket tax. This has led some social entrepreneurs to shy away from establishing social businesses, and often makes growth difficult to achieve for those who have. For example, Fair Trade Egypt is legally registered as a for-profit to ensure its ability to respond to market demand and to be able to export and receive foreign currency in a timely manner. These are all activities that it would be greatly limited or restricted from pursuing if it were registered as a nonprofit organization. However, being taxed as a for-profit company limits its impact, as the objective of a fair trade organization is to maximize distributions to low-income producers.<sup>59</sup>

In the case of nonprofit organizations, most countries around the world create a distinction between those organizations that serve their members alone, such as a high-end health and sports club, and those that serve the public, such as an organization that provides services for low-income families.<sup>60</sup> To encourage the work done by public benefit organizations—which include social entrepreneurs—many countries will create a simple procedure whereby a nonprofit can demonstrate that it is a public benefit organization and thereby qualify for special benefits. These benefits are, most commonly, a reduction in taxes.

In the Middle East, most countries either give no benefits to nonprofits or extend special tax benefits to all nonprofits, regardless of who they serve. In either case, these benefits tend to result in poor incentives for organizations that serve the public interest. In Egypt, for example, all nonprofits—including private member-benefit organizations—receive a list of privileges, including exemptions from several types of internal taxes and customs duties and reduced telephone, electricity, and water tariffs.<sup>61</sup> Because all nonprofits—even private member-benefit groups—receive these benefits, they are widely perceived to be vehicles for corruption and unfair tax avoidance. This perception negatively affects civil society sector as a whole, lumping good actors with corrupt actors in the public mind. A similar situation exists under the Palestinian Law 1 of 2000, where all associations and founda-

tions “are exempted from taxes and customs duties,” regardless of their purposes or goals.<sup>62</sup>

In contrast, under Jordan’s new Law 51 of 2008, nonprofits do not receive any tax or other benefits, and there is no procedure in place for an organization to be designated as a public benefit organization. As a result, the Jordanian state is missing the opportunity to make use of a potentially important tool to incentivize social entrepreneurship. Before being abolished, not-for-profit companies in Jordan received some tax incentives. In Lebanon, nonprofits can receive public benefit status pursuant to a resolution of the Council of Ministers, but the benefits of such a status are not clear.<sup>63</sup>

#### *Industry-Specific Regulation*

A strict regulatory environment can negatively affect social enterprises in specific sectors. In contrast, simple and transparent regulations can contribute to the success of any entrepreneurial economy. Investment regulations and financial and credit market regulations are particularly relevant to social enterprises.

Existing legal frameworks in the Middle East for social investment funds could be improved to allow for tax-exempt contributions and the realization of equity or debt investments. This would encourage philanthropists to donate to social investment funds, expanding available capital for these funds to invest in social enterprises. Acumen Fund, one of the leading social investment funds globally, has tax-exempt status in the United States, Pakistan and India, allowing the organization to attract local donations and to realize strategic investments.<sup>64</sup> Acumen uses local philanthropic capital to make loans and overseas capital to invest equity in social enterprises, earning revenues through debt service or dividends to sustain and grow its operations. In contrast, provisions for social investment funds in the Middle East, where they exist, are often complex and cumbersome. Hence, social investment funds are unable to cater to institutional or individual donors who would like to make local contributions.

As noted above, the microfinance industry has expanded rapidly in some parts of the Middle East. Morocco and Egypt, in particular, are home to some of the largest microfinance institutions in the region. However, the industry has faced some difficulties in the region, where many countries restrict MFIs from offering savings deposit services, an instrument that, if employed strategically and within a conducive macroeconomic and legal environment, can help MFIs grow while meeting unmet demand.<sup>65</sup> Indeed, in the few countries where savings deposit services have been allowed, such as Yemen, MFIs are reaching more beneficiaries and achieving more financial sustainability.<sup>66</sup>

There is a need for greater overall government coordination and development of the sector. For example, practitioners in the microfinance sector in Jordan cite a lack of supervisory consistency; organizations engaged in microlending may fall under the authority of the Ministry of Social Development, the Ministry of Industry and Trade, or the Central Bank of Jordan, depending on their legal and organizational status.<sup>67</sup>

In this regard, much can be learned from the case of Morocco. The country’s microfinance sector has faced difficulties due to its rapid expansion in the past few years. However, the Moroccan government has played a supportive role in spurring and consolidating the industry over the past decade. The Microfinance Law of 1999 contributed to the development of the industry while establishing a government fund to support the sector.<sup>68</sup> Also, regulatory improvements in the overall financial and banking system have allowed the Moroccan microfinance industry to benefit from commitments from local banks.<sup>69</sup>

#### *Labor Regulations*

National initiatives to promote volunteerism can greatly benefit governments in helping them to tackle specific national development priorities (i.e., poverty reduction, post-conflict reconstruction, health, and education). The environment for volunteers is also important to social enterprises, which often benefit from pools of volun-

tary labor. However, laws that do not acknowledge volunteer labor as distinct from paid labor may require social enterprises to contribute employer-based benefits for volunteer workers.<sup>70</sup> In addition to labor legislation, the recognition and promotion of voluntary labor may entail changes to existing liability laws, immigration laws, and tax legislation.

### ***Engaging with social enterprises***

As mentioned above, there is often considerable overlap between the social and economic development goals of policymakers and those of social enterprises. Through direct partnerships, jointly sponsored activities, and targeted public sector procurement practices, government actors and social enterprises can benefit from each other's relative strengths in delivering goods and services to local communities.

### ***Recognizing and Rewarding Success***

Governments can play a valuable role by supporting award programs, competitions, and social challenge or innovation funds targeted at identifying, screening, and then publicly recognizing and rewarding successful or high-potential social entrepreneurs. In the United States, for example, the recently created Social Innovation Fund aims to reward innovative social solutions by funding their replication and scaling them up nationally. The fund, a public-private partnership, plans to award up to \$50 million in federal funding matched by grant-making intermediary institutions.<sup>71</sup>

Although there is a growing number of competitions and rewards for entrepreneurship, community leadership, and development in the Middle East, Jordan is one of the few countries whose government has explicitly recognized and rewarded social innovation by young people across the region. The King Abdullah II Award for Youth Innovation and Achievement gives each winning young innovator \$50,000 to "expand the scope and impact" of their existing initiatives, helping them to scale up and replicate.

### ***Public Procurement and Outsourcing Policies***

In addition to direct financial support, government can promote social entrepreneurship by adapting procurement policies to reward social enterprises that have demonstrated innovation and impact. In the United Kingdom, for example, there is a pioneering effort to tie procurement to support for successful social enterprises in the 2012 Olympic Games. The Winning with Social Enterprise project is encouraging the integration of social enterprises into the supply chains of private sector companies and cooperation with these companies via consortia and partnerships in contract bidding for the games.<sup>72</sup> If successful, the project may provide a replicable example for other countries to use large national events and centrally coordinated, contracted projects to boost social entrepreneurship through targeted procurement policies.

In the Middle East, laws often do not clearly define government procurement and grant mechanisms for engaging civil society organizations. When they are defined, these mechanisms are not necessarily known or applied. As with the question of tax incentives and public benefit status, this is another missed opportunity for governments in the region to make better use of social entrepreneurs in addressing development priorities.

In Egypt, only associations with public benefit status are entitled to administer projects "attached to the Ministry [of Social Development] or to the other ministries or local government units . . . or implement . . . their projects or plans."<sup>73</sup> Given the difficulty of achieving public benefit status, the government may be overlooking opportunities to form partnerships with local social enterprises that have not achieved this status but may nonetheless apply innovative and cost-effective methods of implementing development projects. Similarly, while a "fund for the support of associations and foundations" was created by Egypt's Law 84 of 2002, its mechanisms of work and grant distribution are vaguely defined. Similarly, Jordan's Law 51 of 2008 falls short of defining any formal mechanism for the government to become

a partner with nonprofit organizations (though this may still occur informally). Jordan's law does propose the creation of a "fund for the support of societies" that "will enjoy financial and administrative independence," but as of this report—more than a year from the passage of the law—the fund is not yet operational.<sup>74</sup>

Yemen takes a more sophisticated approach, allowing the Ministry of Labor and Social Affairs to "assign the operation of social centers and institutes . . . to the active and successful associations to lighten the burden of the Government and to ensure the participation of the society in the contribution to sustainable social development."<sup>75</sup> The ministry is granted authority to provide monetary support to associations for the purpose of government cooperation or simply to support the sustainability of any association that has been in existence for more than one year, is in good standing, and "serves the public benefit."<sup>76</sup> Unfortunately, what could be a successful model for emulation by other states in the region is hampered by the Yemeni government's limited

financial resources and technical capacity, along with regulatory challenges that raise questions about transparency.

### **Supporting the broader ecosystem for social entrepreneurship**

Government can also be a catalyst in energizing other components of the ecosystem needed for social entrepreneurship to thrive—in education, through the public schooling system and education policy; the media, through state-sponsored marketing and advertising; and private and social investors, through legal frameworks and market regulation. The U.K. government, for example, has promoted an active relationship with the social enterprise sector through its Cabinet-level Office of the Third Sector, in which the social enterprise unit is key. Through this office, the government coordinates activities, research and dialogue for the promotion of social enterprises and the development of an enabling environment for them across sectors and various governmental agencies (see box 6).

#### **Box 6. Government Support for Social Enterprises in the United Kingdom**

"Social enterprises are businesses which operate for a social purpose. At their best they contribute to a stronger economy and fairer society by providing employment or services where the private or public sector can't, challenge and help government to improve the way we design and deliver public service and raise the bar for socially responsible business. Our latest estimates suggest there are 62,000 social enterprises like these in the UK, contributing £24 billion to UK output.

Government's vision is of a dynamic and sustainable social enterprise sector. The Office of the Third Sector's social enterprise policy is focused on working across government to create an environment in the UK for social enterprises to thrive by:

- fostering a *culture* of social enterprise, especially by inspiring the next generation to start thinking about the social impact of business
- improving *business advice*, information and support
- tackling the barriers to *access to finance*
- enabling social enterprises to *work with government*."

Source: Excerpt from "Social Enterprise," Cabinet Office, Office of the Third Sector, [http://www.cabinetoffice.gov.uk/third\\_sector/social\\_enterprise.aspx](http://www.cabinetoffice.gov.uk/third_sector/social_enterprise.aspx).

Government can play an active role in fostering social enterprises by bringing together key stakeholders via local and national coordination bodies. Moreover, through its convening power, government can grant social entrepreneurs and other key players in the sector access to policy-makers, thus fostering a participatory approach to policy development.

Furthermore, government can promote transparency by making information available on the regulatory and bureaucratic environment within which social ventures will operate, including the relevant tax implications. Also, government agencies can cooperate with other stakeholders to help establish clear performance standards for social enterprises.<sup>77</sup>

In the Middle East, social entrepreneurs across the region have noted the need for better legal literacy among young social entrepreneurs and civil society leaders, whether nonprofit or for profit.<sup>78</sup> Improving this literacy requires both the active effort of government, support institutions (e.g., industry associations and technical support organizations) and civil society organizations. By working with social entrepreneurs to educate them on legal regulations and processes, governments, civil society organizations, and law firms can have a lasting impact on the ability of social entrepreneurs to more efficiently and effectively establish legal bases for their existence and expansion.

Countries in the region are beginning to make important strides in promoting a culture and in-

stitutional environment that promotes social responsibility, cooperation and innovation. For example, the United Nations Development Program worked with the Ministry of Investment in Egypt to launch a national center for corporate social responsibility in 2009, and Egypt has also been a part of the development of the Environment, Social and Governance (ESG) Index to incentivize sustainable business practices.<sup>79</sup> Morocco's microfinance regional success story is also testament to the potential of governments to create the right conditions for social entrepreneurship.

In conclusion, there are a number of ways in which government can provide an enabling environment for social enterprises. These steps include creating enabling and flexible regulatory and legal frameworks, recognizing and systematically engaging social enterprises, adapting procurement policies to facilitate the participation of social enterprises, and fostering a culture of innovation through public schools and the media. In the Middle East, as in many other regions in the world, governments and social entrepreneurs have yet to develop a comprehensive and strategic approach for engaging with one another. Yet across the region, examples on the ground show the potential for such partnerships.

### **The Role of the Corporate Sector**

Around the world, there is increased awareness of the potential to leverage the core competencies and resources of corporations to deliver both philanthropic and commercial solutions in ad-

“One of the key leadership challenges of our time is to find new ways to harness the innovation, technology, networks and problem-solving skills of the private sector, in partnership with others, to support international development goals. And to do so in a manner that makes sound business sense, and does not replace or undermine the role of government. Business leaders have a growing interest, both in terms of risk management and harnessing new opportunities, to get engaged.”

- “Partnering for Success: Business Perspectives on Multi-Stakeholder Partnerships,” (World Economic Forum, Harvard Kennedy School, and International Business Leaders Forum, 2005).

addressing development challenges. Corporations are becoming more strategic in terms of their philanthropy, employee volunteering and corporate social responsibility models, aligning these more closely to their core business purpose and competencies. A growing number of companies are developing more inclusive commercial business models and innovating with new products and technologies to serve base-of-the-pyramid (BoP) markets and to include the poor as producers, employees, and consumers in a sustained way. Further, national and multinational firms are recognizing the value of partnering with social entrepreneurs and social enterprises to make their own philanthropic and inclusive business models more effective and to “co-create” social and economic value.

Motivations for corporate engagement in addressing social and environmental issues—which vary depending on the company, industry sector, and operational context—include:

- *Changing stakeholder expectations:* Increased demands from shareholders and others stakeholders for greater accountability and transparency not only on financial performance but also the company’s environmental, social, and governance performance;
- *New business opportunity and competitiveness:* The opportunity to grow revenues, market share, and competitiveness by serving untapped markets and building more inclusive business models;
- *Social mission:* Demonstrating commitment to values and social mission;
- *Risk management and mitigation:* The growing need for company risk management processes to incorporate social and environmental issues;
- *Brand and reputation management:* Efforts to protect and promote corporate brand and reputation among key stakeholder groups;
- *Human resource requirements:* The need to develop human capital and to attract and retain talented employees; and,

- *New regulations:* Responding to and influencing changing regulatory environments.

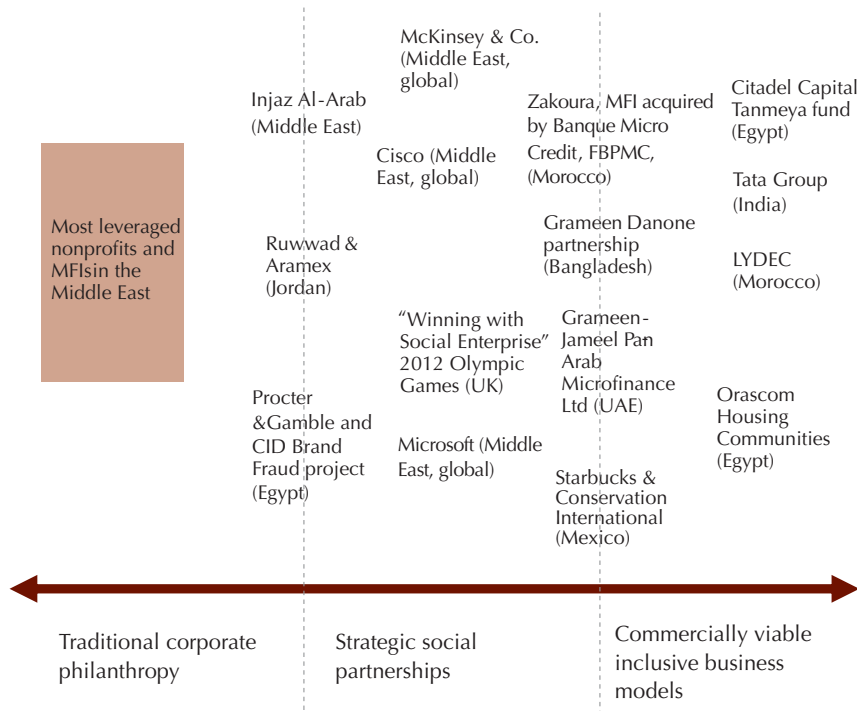
Businesses in the Middle East face a particularly compelling reason to form partnerships with social entrepreneurs and enterprises, because firms in the region are limited by the lack of human capital development and are highly aware of it. In a recent survey, more than 25 percent of firms in the region reported that the lack of skills among workers is a major constraint on business growth, representing a higher rate than other regions such as Latin America and Africa.<sup>80</sup> All types of businesses that operate in the region are finding it increasingly worthwhile to invest in producing a better-trained workforce and creating a fertile ground for entrepreneurship and innovation.<sup>81</sup>

The relationship between the corporate sector and social enterprises is fluid and multifaceted. Summarized in Figure 9, the following section provides some examples of good practices in a simple three-category scheme of engagement and introduces the state of corporate engagement in supporting and partnering with social entrepreneurship in the Middle East. The three models of engagement are: i) providing traditional corporate philanthropy, ii) engaging in strategic social partnerships, and iii) developing commercially viable, inclusive business models. In the case of large corporations, a company may use all three of these engagement models at the same time depending on the issues and context they are addressing.

#### *Providing traditional corporate philanthropy*

The first type of relationship includes traditional corporate philanthropy, product donations, and community engagement models in which the corporation is the donor and the social enterprise—or, more often, the traditional nonprofit organization—is the recipient. An example of when traditional corporate philanthropy can make a vital contribution is in times of humanitarian crises and natural disasters, when the most effective way companies and their employees can support social enterprises or other civil society organizations is often by providing immediate financial support or donating relevant products to support relief efforts.

**FIGURE 9. TYPES OF CORPORATE SECTOR ENGAGEMENT WITH SOCIAL ENTREPRENEURSHIP**



**Engaging in strategic social partnerships**

The second type of relationship is a more strategic social partnership model.<sup>82</sup> In this category, corporations and social enterprises are each harnessing their own core competencies and comparative advantage and co-creating social value. In addition to financial resources, companies are leveraging technologies, market knowledge, management and strategy experience, logistics capabilities, and marketing support in ways that can help social enterprises become more effective and, in some cases, replicate or attain scale. Corporations and social enterprises that have engaged in this type of partnership have been able to successfully connect the core specializations of the business and the social values of the social enterprise in a way that provides societal value added as well as measurable benefits for the business, sometimes including competitive advantage.

Beyond corporations and social enterprises, a growing number of successful social partner-

ships also include an active role for government. Governments in the Middle East and elsewhere are actively supporting the intersection of business and development through public-private partnerships in a number of key areas, including education, information technology, youth employability, and job creation.<sup>83</sup> These public-private partnerships offer another promising opportunity for social enterprises to form partnerships with corporations in order to leverage both corporate resources and policy influence.

**Developing commercially viable inclusive business models**

The third form of corporate engagement with social entrepreneurship is when companies develop commercially viable, inclusive business models—in which corporations either adapt an existing business model or develop a new business model to include the poor as producers, employees or customers in corporate value

chains and to provide goods and services to BoP markets.<sup>84</sup> These corporations are often large national or multinational firms that have demonstrated profitability in developed or high-income markets but have not previously made a concerted effort to target poor consumers or to do business with low-income small enterprises, microenterprises and farmers. The entry of these businesses into BoP markets has potential rewards both for the businesses and for low-income consumers, producers, and employees. However, in these cases, effort should be made to engage in dialogue with existing smaller social enterprises in the relevant sectors to ensure that larger corporations do not simply crowd out smaller enterprises but build on their efforts and reinforce their successes.

Social enterprises can play a valuable role in working with large corporations in developing their inclusive business models or BoP market entry strategies. They can act as intermediaries, for example, between a company and low-income producers or consumers. Technoserve, Root Capital, and Conservation International are all examples of social enterprises that help large corporations such as Starbucks and Coca-Cola reach BoP markets in the food and beverage sector. A social enterprise can also act as a joint-venture business partner—as Grameen Bank has done with Danone Foods in a commercial joint venture to produce affordable, fortified yogurt for malnourished children in Bangladesh, an effort that has achieved public

health objectives and local economic development while meeting business objectives for Danone Foods.

As with strategic social partnerships, governments and donors can play an important enabling role in promoting commercially viable, inclusive business models that engage social enterprises. One example noted above is the U.K. government's effort to encourage all private corporations applying for procurement bids for the 2012 Olympic Games to work with social enterprises. This is an attractive opportunity for companies to access innovative product and service delivery practices, expand the market for participating social enterprises, and add value to the community and stakeholders that the social enterprises serve. Large companies can also be incentivized to integrate social enterprises as core partners in their value chain through government- or foundation-funded social innovation and replication funds.

Box 7 provides brief examples of how three leading multinational companies are actively engaging with and supporting social enterprises through a combination of corporate philanthropy, strategic social partnerships, and commercially viable inclusive business models. More solutions of this type need to be developed in the Middle East by both domestic and multinational companies. The next section illustrates cases where this is starting to happen.

### **Box 7: Examples of multinational firm engagement with social enterprises through multiple channels**

#### **Microsoft**

The company's Unlimited Potential commitment harnesses its core competencies with the aim of enabling sustained social and economic opportunity for those at the middle and bottom of the world's economic pyramid—some 5 billion people. Unlimited Potential is organized around three focus areas: transforming education, fostering local innovation, and enabling jobs and opportunities. In the Middle East, a key focus has been to build the institutional and individual leadership capacity of NGOs, social enterprises, community leaders, and teachers through a combination of grants, software donations, technology solutions, specialized curricula and networking opportunities. Across the region, the company supports the Women in Technology program in partnership with the US State Department

**Box 7. Examples of multinational firm engagement with social enterprises through multiple channels (cont.)**

and hosts NGO Connection Days, aimed at building information technology and management skills in NGOs. Local grants bring basic technology training to underserved populations through the Community Technology Skills Program in Saudi Arabia, Egypt, Jordan, Tunisia and Turkey, with the goal of preparing people for 21st century jobs and building entrepreneurial skills. A partnership with the International Youth Foundation and other organizations such as Chevron, GE Foundation, BP, Gap Inc. and USAID supports IYF's Education and Employment Alliance, which offers technical, vocational, and life skills, entrepreneurship development, on-the-job training, job placement and enterprise support to disadvantaged and unemployed youth in six Middle Eastern and Asian countries.

**Cisco**

Cisco has a longstanding tradition of applying core competencies and networked partnership approaches to support social entrepreneurs and entrepreneurship more generally through platforms such as the multi-stakeholder Cisco Networking Academies, the Cisco Entrepreneur Institute, and the company's Global Education Initiative. It has provided seed funding, technology, technical advice, and board-level support for leading social enterprises and social investment funds such as Acumen Fund in a number of countries. In the Middle East, together with the World Economic Forum, Microsoft, Intel and others, Cisco has engaged in public-private education partnerships such as the Jordan and Egyptian Education Initiatives, providing a combination of technology support, funding, and skilled personnel. In partnership with the U.S. State Department's Middle East Initiative, Cisco has provided internship opportunities for women from Lebanon, Jordan and Saudi Arabia, which included entrepreneurship and business courses through Emory and Duke Universities. Other initiatives include the Partnership for Lebanon where Cisco joined Microsoft, Intel, GHAFARI and Occidental Petroleum in supporting initiatives to support local economic development. The company has partnered with the Queen Rania Center for Entrepreneurship to offer entrepreneurship and business skills training. And it is working with Silatech to equip youth with information technology, business development, and entrepreneurial skills.

**McKinsey & Company**

As one of the world's leading strategic consulting firms, McKinsey's Social Sector Office helps global organizations develop and scale up solutions to chronic, complex societal challenges. McKinsey works in more than 50 countries on issues related to global health, economic development, education, philanthropy, and climate change. In the field of social entrepreneurship, McKinsey partnered with the 2010 Skoll World Forum on Social Entrepreneurship and McKinsey's *What Matters* publication developed a special section on social entrepreneurs. This section convened outside experts including Bill Drayton, chairman and CEO of Ashoka, Iqbal Quadir, founder and director of the Legatum Center for Development and Entrepreneurship at MIT and J. Gregory Dees, cofounder of the Center for the Advancement of Social Entrepreneurship at Duke to debate the question "can social entrepreneurs create large-scale change?" The firm has also supported the Ashoka-McKinsey Center for Social Entrepreneurship in Brazil, which aims to help social entrepreneurs build strategy and management skills to strengthen their organizations. In the Middle East, McKinsey offers free sessions to Ashoka Arab World Fellows and helps them with organizational and administrative matters, contributing to the overall sustainability of their social ventures.

*Sources: Interviews, company and partner organization websites. For more information on the Center for Social Entrepreneurship, see <http://www.ashoka.org/cse>. For more information on Ashoka Arab World, see <http://www.ashoka-arab.org/>.*

### **Corporate engagement trends in the Middle East**

The majority of examples of corporate sector engagement with social enterprises in the Middle East fall under the *traditional corporate philanthropy* category, although an increasing number of companies are engaging in strategic social partnerships and inclusive or BoP business models. The 2007 UNDP Egypt report, *Business Solutions for Human Development*, one the first reports on the region to make a strong case that private sector engagement in development should move beyond traditional philanthropy, highlights a number of efforts already under way in this regard.<sup>85</sup> A growing number of Middle Eastern companies also support the United Nations Global Compact, which requires participating companies to adhere to 11 principles on human rights, labor, the environment, and anticorruption. In 2008, Queen Rania launched the Arab Sustainability Leaders Network, which brings together leading Middle Eastern companies to support the integration of sustainability principles and practices into their core business operations and reporting.

At a regional level, Injaz Al-Arab is one of the most successful examples of a *strategic social partnership* between a social enterprise and corporations. Two examples of corporations working with Injaz Al-Arab are Jordan-based Aramex and Coca-Cola's Palestinian bottler, the National Beverage Company:

- Aramex has worked with Injaz since 2004, with company executives sitting on Injaz boards in different countries and employees donating time to serve as mentors to high school students throughout the academic year. Aramex also sponsors Injaz's Student Company competition, which invites teams of students from across the Arab world to conceive, plan, and execute enterprises with support from volunteer mentors. The company's chairman, Fadi Ghandour, has been a passionate and consistent advocate for social entrepreneurship, youth entrepreneurship, and entrepreneurship throughout the region—demonstrating the importance of top-level corporate leadership.

- The National Beverage Company is the local bottler for the Coca-Cola Company in the West Bank and Gaza. The company supports the local branch of Injaz through funding, board participation, employee volunteering, and mentoring. It brings Injaz students in to learn from its business operations and supports business plan competitions. Its early support for Injaz Palestine in its start-up phase as it transitioned from a Save the Children pilot project to a full-fledged member of the Junior Achievement Worldwide network lent legitimacy to the organization and encouraged other local corporations to provide support. As with Aramex, National Beverage's chairman and founder, Zahi Khouri, has been a committed advocate for entrepreneurship and corporate social responsibility.

Another region-wide example of social partnership between the corporate sector and a social enterprise is Grameen-Jameel. This partnership was founded in 2004 as an alliance between the Saudi-based Abdul Latif Jameel Group and the Grameen Foundation USA, a nonprofit social enterprise that builds on the lessons of the Grameen Bank to combine microfinance, new technologies, and innovative business models to empower microentrepreneurs. The partnership has provided technical assistance, financing, institutional strengthening, and networking support to 10 MFIs in Egypt, Jordan, Lebanon, Morocco, Palestine, Tunisia, and Yemen. As of 2008, Grameen-Jameel had facilitated local currency financing worth \$44 million to MFIs backed by \$20 million in guarantees, reaching more than 350,000 new microfinance clients, many of them women.<sup>86</sup>

At a national level, there are a growing number of collective efforts by national and multinational corporations working with social enterprises, and with other government and NGO partners. In Yemen, for example, in partnership with international skills and training expert Pearson, Silatech is implementing a Construction Skills Training Centre (CSTC) in Sana'a, linked to predetermined private sector employment demand. The program, which is a public-private partnership involving Consolidated Contractors Corporation (CCC), the

largest construction firm in the Arab world, Qatari Diar, a real estate investment arm of the State of Qatar, SHIBAM Holding, a leading Yemeni Government investment facilitation company, and Sana'a Community College, is set to train, qualify and place up to 1,000 youth in local construction sector jobs in its first phase which was launched in January 2010. Through a train-the-trainers model, the project is building the capacity of Yemeni vocational training infrastructure to provide demand-driven and market-oriented training. Initially training to local employer requirements, Silatech plans to mobilize investment and technical support through its partners to facilitate the delivery of a large-scale, recruitment, training, qualification and placement service through which it will aim to provide thousands of Yemeni youth with a "passport to work" by providing them with a regionally recognized qualification, a SilaQual, linked to predetermined job opportunities in Yemen and in the neighboring Gulf Cooperation Council (GCC) countries over the coming years.<sup>87</sup>

In Jordan, under the leadership of Aramex and in partnership with several other businesses, a social enterprise called Ruwwad was founded in 2006 to aid community development by mobilizing and building on the potential of young local volunteers. Ruwwad began its work in Jabal Nathif, a community in East Amman that is home to an unofficial refugee camp. The organization provides university and college scholarships to students from the community. In return, the students volunteer by tutoring and mentoring local children or gain vocational skills and experience by providing services such as refurbishing furniture, upgrading homes, and doing repairs for local residents. Ruwwad also provides the community with education, health, and legal assistance, among other services.<sup>88</sup>

In Egypt, the partnership that developed between multinational corporation Procter and Gamble and the zabaleen (garbage collectors) community is another innovative model for a strategic social partnership. The zabaleen are a marginalized community living in a large waste disposal area in Cairo. The Procter and Gamble partnership with the community was developed by a Schwab fellow, Laila Iskandar, and implemented

through Community and Institutional Development, an internationally recognized Egyptian social business.<sup>89</sup> It centers on tackling brand name fraud against Procter and Gamble's products through proper recycling of its shampoo bottles, thus preventing its products' containers from being refilled by counterfeiters. Building on the success of this partnership, the zabaleen community subsequently developed its own organization—the Spirit of Youth Association for Environmental Service—which has been recognized for social innovation by Synergos.<sup>90</sup>

In addition to growing engagement in strategic social partnerships with social enterprises, NGOs and governments, a small number of companies in the Middle East are building *commercially viable, inclusive business models* and entering BoP markets, most often with government support. Three examples are provided by LYDEC in Morocco and, in Egypt, Environmental Quality International (EQI) and Orascom.

LYDEC, the Moroccan subsidiary of French-based Suez, was explicitly designated by the Moroccan government to provide electric, water, and sanitation services to shantytown residents of Casablanca. From 1998 to 2005, LYDEC invested more than €220 million (\$310 million) in the project and plans to attract a total of €3 billion of additional investments over a 30-year period.<sup>91</sup> LYDEC's efforts have increased the number of people served with electricity and water in Casablanca by more than 20 percent.<sup>92</sup>

EQI, a for-profit consulting firm in Egypt, offers an example of an inclusive business model for eco-tourism, one that meets both social and environmental objectives. EQI has brought sustainable development to the Siwa oasis, where it has developed three lodges (one of which is an eco-lodge constructed entirely out of natural materials that uses no electricity), a women's artisanship program, organic farming programs, and community art projects. EQI has developed these programs in collaboration with international donors such as the Canadian International Development Agency (CIDA) and the International Finance Corporation (IFC), the private sector arm of the World Bank Group.<sup>93</sup>

The Orascom Group, an Egyptian conglomerate, launched its budget housing subsidiary, Orascom Housing Communities (OHC), in 2006 with a focus on developing affordable housing on a relatively large scale. Today, OHC is considering greater integration of strategic social partnerships within its work. In particular, they are considering a collaboration with Habitat for Humanity International on housing projects in Giza and Lower Egypt, in addition to piloting recycling centers and mixed-use housing initiatives for the zabaleen community in Cairo. The discussion on possible synergies builds on Habitat for Humanity International's extensive global experience in engaging local communities and targeting the poor.<sup>94</sup>

As illustrated above, there are good examples of how the corporate sector in the Middle East can effectively engage in social benefit activities and form partnerships with social enterprises. However, on the whole, there is still a lack of coordination and collaboration between the corporate sector and social enterprises in the region. Almost every example of successful corporate engagement in the region points to a company that has senior executives who are personally committed as both business and community leaders. The challenge is how to move beyond this relatively small group of leaders and their companies. To ensure that corporate philanthropy, strategic social partnerships, and inclusive business or BoP efforts by corporations in the Middle East

are taken seriously by other corporate leaders and to achieve greater scale and impact, there is a need for increased research, learning, and impact analysis on what does and does not work; recognition of good practices; encouragement of a culture of greater social innovation and entrepreneurship by large companies; and, an enabling policy environment.

### **The Role of Investors, Intermediaries, and International Donors**

Investors and donors are critical to the functioning of the social entrepreneurial ecosystem. This section addresses the respective roles of *social investors* and *intermediary organizations*, the latter providing a variety of services that connect social entrepreneurs and enterprises to the capital and services they need to build their organization. These include financial intermediaries (e.g., investment networks), information providers (ratings agencies), and technical assistance providers (training, management consulting, industry research, business plan development, and support in scaling social enterprises).<sup>95</sup> In the global social investment landscape, there is some overlap between investors and intermediaries, with a number of organizations providing a blend of financial investment and technical assistance. This section also covers the particular role of *international donors* in the social investment marketplace.

“With coordinated effort and sufficient investment in infrastructure, investing for impact could move out of the phase of uncoordinated innovation and build the marketplace required for broad impact—potentially during the next 5 to 10 years. The pace of evolution can be accelerated by pulling together the disparate players, creating a common language, and helping all see the opportunities and challenges they have in common.”

—Monitor Institute, *Investing for Social and Environmental Impact: A Design for Catalyzing an Emerging Industry* (San Francisco: Monitor Institute, 2009), 13.

### **Global social investor organizations and intermediaries**

Globally, social investment is an evolving arena.<sup>96</sup> Priorities for developing the sector further include “building an enabling infrastructure for the industry” and addressing the “lack of sufficient absorptive capacity for capital.”<sup>97</sup> Yet, the industry is growing.<sup>98</sup> Moreover, an array of global organizations is providing more than just financial capital to social enterprises. Acumen Fund, which invests in both nonprofit and for-profit organizations serving BoP markets in Africa and South Asia (India and Pakistan), also provides management advice for those companies in which it takes an equity stake. Similarly, the Grassroots Business Fund identifies high-impact enterprises serving BoP markets and provides them with a blend of financial and technical assistance.

Some “social investors” are not financial investors themselves but provide nonfinancial investments—i.e., technical assistance and networking—for social entrepreneurs while also acting as *intermediaries* by facilitating access to financial capital.<sup>99</sup> For example, Technoserve supplies entrepreneurship development and training and helps leading entrepreneurs and small and medium-sized enterprises build successful businesses by assisting with operational support and raising capital. New Ventures, housed initially at the World Resources Institute, is a U.S.-based fund that operates in Brazil, Mexico, China, Indonesia, and India. New Ventures’ country offices provide an array of services to enterprises in its investment portfolio, including mentoring, business plan development, and convening sessions with social investors to mobilize funding.

Other examples of intermediaries include networks, information providers (social investment marketplaces), and incubators. Such groups are needed to cut transaction costs and clarify risks to potential investors. One of the multi-stakeholder efforts already under way to meet the needs of potential social investors is the Metrics from the Ground Up Network, which was started by the Grassroots Business Fund and the Aspen Network of Development Entrepreneurs. This network brings together investors, donors, and intermediary organizations to explore mechanisms for monitoring and evaluating the impact of social enterprises. Another is the Global So-

cial Investment Exchange initiative, which aims to create a single global exchange to allow for the efficient movement of capital to enterprises in the developing world.<sup>100</sup>

Intermediaries and platforms to provide information, share lessons, and build networks are also needed for social entrepreneurs, whether at the country-level or internationally. In this regard, the ILO has established an African Social Entrepreneurship Network, with a vision to “provide an open and easily accessible platform for the exchange of ideas, intellectual capital and other relevant information that will further the development of the Social Entrepreneurial space in Africa.”<sup>101</sup> Similar networks for social entrepreneurs at the country-level include the Hong Kong Social Entrepreneurship Forum, Journeys of Change (India), and the Khemka Forum on Social Entrepreneurship (India).

Social enterprise incubators play a significant role in both developed and emerging economies in supporting social entrepreneurs and new social enterprises. Examples include Genesis in Brazil, which incubates innovative nonprofit organizations that provide services to small-scale and marginalized entrepreneurs and community projects, and UnLtd Incubator in India, which provides support for start-up social entrepreneurs in the form of seed funding, business training and coaching, and networking with other entrepreneurs, mentors, and experts. The Social Entrepreneurship Corps in Latin America focuses on enhancing the capacity of young entrepreneurs—students, recent graduates, and young professionals—by giving them language training, local immersion, and “the opportunity to learn from, shadow, work with and support an array of successful development professionals and organizations.”<sup>102</sup>

### **Social investor organizations and intermediaries in the Middle East**

Few of the organizations providing *blended financial and strategic assistance* to social enterprises are active in the Middle East. There is growing interest from global social investment funds such as Acumen Fund and Global Alliance for Improved Nutrition (GAIN), which have recently begun operating in the region. However, such funds are facing obstacles. As mentioned

earlier in the report, Acumen Fund operates with a special registration status in the United States, Pakistan, India, and Kenya that allows it to both receive donations and make equity investments. A similar registration status would be of great value to its operations in the Middle East. It is noteworthy that some of the region's leading private equity funds are identifying some of the gaps and opportunities in this area. The Cairo-based private equity fund Citadel Capital, for example, has recently launched the Tanmeya microfinance fund serving Egyptian MFIs.

*International support organizations* that nurture individual entrepreneurs are active in the region. These organizations—particularly Ashoka, Synergos, the Skoll Foundation, and the Schwab Foundation for Social Entrepreneurship—are playing an essential role in building the sector in the region while supporting social entrepreneurs at various stages of growth.<sup>103</sup> Nonetheless, as noted above, the pool of social entrepreneurs assisted by these organizations is limited to a few countries in the region, and a number of them only reach those who are proficient in English, thereby discounting a significant portion of the region's youth. Furthermore, few social enterprises in the region have reached the financial threshold defined by Skoll; hence, many initiatives do not yet qualify for its funding.<sup>104</sup>

*Networks for investors*, such as angel investor networks, are a model that can be used in the social investment market. In the past five years, a few angel networks, primarily made up of high-net-worth individuals but also including institutional sponsors, have emerged in the Middle East. These include the Young Arab Leaders' Arab Business Angels Network and the Bader Lebanese Business Angels.<sup>105</sup> These networks are not specifically geared toward social enterprises or social entrepreneurs—investors are primarily seeking a financial return.

A country-based model which aims to help young Saudi Arabian investors and strengthen the private sector is The Centennial Fund (TCF). TCF is a nonprofit member of the UK-based The Prince's Youth Business International (YBI), an international not-for-profit organization that leads a global network of independent country initia-

tives helping young people to start their own businesses and create employment. TCF has built several public-private partnerships with Saudi corporations including Sabic and the National Commercial Bank. TCF has also gained strong governmental support which has ensured the fund's wide outreach through its offices across the country.

Few global *ratings agencies* focused on social responsibility have extended their reach to the Middle East. The Dow Jones Sustainability Index, which looks at social and environmental competitiveness, includes companies from Brazil, Hong Kong, Malaysia, and Thailand but not from the Middle East.<sup>106</sup> Other globally recognized and widely endorsed measures of social return on investment include the Global Impact Investing Network (developed by the Rockefeller Foundation) and the Portfolio Data Management System (spearheaded by the Acumen Fund, with support from Google, PricewaterhouseCoopers, and Salesforce.com).<sup>107</sup>

In the region, Abraaj Capital is piloting an initiative to develop an ethical framework to guide its portfolio company investments, including areas such as “anti-corruption, adequate labor standards, upholding basic human rights, non-discrimination, governance, community engagement, environmental sustainability and social responsibility.”<sup>108</sup> In addition, while the Arab Responsible Competitiveness Index serves more as a macro-level measurement system, it could be adapted to serve as a basis for measuring social return on investment among the region's social enterprises.

Finally, there are few *market facilitators* and *incubators* in the region. Notable exceptions to each of these categories are Sanabel and Nahdet El Mahrousa. Sanabel, a microfinance umbrella organization launched in 2002, provides an important source of networking and information sharing for MFIs in the region, describing itself as

“a market facilitator, providing the Arab microfinance industry with direct services in areas such as networking, training, translation, research, and the exchange of information using the primary languages of the re-

gion (Arabic and French); while also serving as a catalyst and coordinating entity for the work of partner organizations in areas such as transparency and benchmarking and in the development and/or reform of microfinance regulations.”

Nahdet El Mahrousa in Egypt, remains the only incubator for early-stage, youth-led social enterprises in the region. It has seen the successful incubation of 12 such enterprises since its official establishment in 2003.

### **International donors in the Middle East**

Bilateral and multilateral international donors have played a role in promoting social entrepreneurship globally. For example, the ILO through its Social Enterprise Development Targeting Youth in South Africa project, has convened government actors, employers, workers, nonprofit organizations, practitioners, and the academic community to conduct research on the environment for social enterprise in the country and at a community level.<sup>109</sup> The convention issued a statement with key recommendations to facilitate the growth of the social enterprise sector in South Africa, addressing legal and regulatory issues, access to finance, and access to business development services. This led to the launching of the African Social Entrepreneurship Network’s online platform discussed above. Similarly, the Grassroots Business Fund mentioned above spun off an initiative born at the IFC.

International donors have the potential to play a similarly catalytic role in the Middle East region. Efforts led by multilateral agencies such as the UNDP through its Growing Inclusive Markets case study series, and its specific country work on business solutions to human development in Egypt and Morocco (and forthcoming work on Iran) are commendable first steps. The UNDP in Egypt has also recently embarked on a youth social entrepreneurship program, although this is still in the design phase.<sup>110</sup>

Bilateral donors can also play a role in partnering with social enterprises on the ground. The CIDA has done this with Sekem in Egypt. The U.S. Agency for International Development has also supported the launch of the Synergos-

implemented Arab Social Innovators program, mentioned earlier in the report. The U.S. government’s current efforts to make social entrepreneurship part of a broader agenda for engagement with the Muslim world via the Presidential Summit on Entrepreneurship will also serve to focus attention on this important, nascent sector in the Middle East.<sup>111</sup>

In addition to international donors, private foundations need to be involved in encouraging and supporting social entrepreneurship. In the Middle East, foundations are slowly realizing this role and are starting to enter into innovative partnerships. The Aga Khan Foundation is exploring the possibilities of supporting green enterprises in water conservation, waste management, composting, and desert farming in Egypt. The foundation sees this as a means to “contribute to job creation among youth and also contribute to solving some of these environmental challenges.”<sup>112</sup> In Saudi Arabia, the King Khaled Foundation recently announced a partnership with the Acumen Fund that aims to promote social entrepreneurship in Saudi Arabia through a national competition to recruit and select a Saudi Acumen fellow.<sup>113</sup> The region would benefit from an expansion of existing efforts by investors, donors, and intermediary institutions and from an enabling legal environment in which social entrepreneurship can locate capital and flourish.

### **The Role of Educational Institutions**

The last decade has witnessed a burgeoning of social entrepreneurship and social enterprise education and training programs in many of the world’s leading academic institutions and through a number of endowed centers and institutes, as well as at the level of schools. In a growing number of universities, courses and full-time professors are dedicated to the field and, in some, graduate degree programs in social entrepreneurship are offered. Research activities, network development, and conferences are becoming more routine on leading campuses. These programs and activities are providing the field of social entrepreneurship with three components that are critical to its development: i) raising awareness and building a knowledge base, ii) building a social entrepreneurial culture and

developing skills, and iii) providing services and creating pathways for development.

### ***Raising Awareness and Building a Knowledge Base***

Universities and academic institutions are able to leverage their credibility, academic rigor, and intellectual independence to push the development of new fields of knowledge and introduce new concepts to mainstream audiences, to be shaped and debated as they are gradually integrated into popular discourse. This has been the case for social entrepreneurship. First, academic research has examined patterns that define best practices for social enterprises, common characteristics and attitudes among successful social entrepreneurs, and the significance of adopting certain business models versus others for the sustainability of social enterprises. This type of knowledge is useful for policymakers, corporations, social investors, and social entrepreneurs alike.<sup>114</sup> Second, by seeking to define and better understand the phenomenon of social entrepreneurship and disseminating their findings, higher educational institutions have played an important role in raising awareness of the field and contributing to its credibility and development.

In this context, partnerships between educational institutions, including interregional partnerships, have played an important role in the promotion of social entrepreneurship. In 2001, for example, the Harvard Business School formed a collaboration with a number of Latin American

business schools to create the Social Enterprise Knowledge Network, which aims to nurture intellectual and human capital development for social enterprises in Latin America; the network has reached over 7,000 undergraduate, graduate, and doctoral students through its member schools and over 10,000 practitioners through its executive education program.<sup>115</sup>

### ***Building a social entrepreneurial culture and developing skills***

Although it is important to note the limitations of formal education in teaching people the skills needed for entrepreneurship or social entrepreneurship, educational institutions can help students capitalize on their natural potential. As Greg Dees of Duke University states:

“We’re not ‘teaching’ [students] to have the personal characteristics required to be a successful social entrepreneur. . . . Though we don’t teach courage, for instance, we can inspire potential social entrepreneurs to act with courage by exposing them to people like themselves who have started social ventures. A teacher can draw out the potential of a student to be a social entrepreneur and most human beings have that potential if they want to exercise it.”<sup>116</sup>

Indeed, the content of social entrepreneurship that is taught at academic institutions today covers a variety of practical issues that social entrepreneurs face in bringing their ideas to fruition.

“For the past two decades countries all over the world have begun to recognize the failure of their systems to educate young people to create, and not simply respond to, economic opportunities. There is a hunger to identify, analy[z]e and implement practices that enable education to foster entrepreneurship at the early stages of an individual’s education.”

—World Economic Forum, “Educating the Next Wave of Entrepreneurs: Unlocking Entrepreneurial Capabilities to Meet the Global Challenges of the 21st Century,” Report of the Global Education Initiative, April 2009, 25.

Brock and Steiner, in surveying 107 courses taught at 72 universities and colleges around the world, identify six main components of social entrepreneurship education: (1) social mission and needs, (2) resource allocation, (3) measuring outcomes, (4) opportunity recognition, (5) a sustainable business model, (6) innovation, and (7) scaling impact.<sup>117</sup> Moreover, 75 percent of faculty teaching social entrepreneurship assign service or experiential learning projects to give students hands-on experience, building students' entrepreneurial skills as well as ingraining the drive for social impact into their learning experiences.

While higher education has been playing a leading role in the development of the field of social entrepreneurship, education at a younger age is equally critical in building the skills of future social entrepreneurs and a culture that promotes social enterprise. With this understanding, governments are increasingly infusing social entrepreneurship education into school systems. In the United Kingdom, for example, education about social enterprises and entrepreneurship is being adopted by secondary schools, targeting students as young as 14 years of age, and is making funding available to schools to develop their own enterprise education programs.<sup>118</sup>

### ***Providing services and creating pathways for development***

Social entrepreneurship education programs can do more than impart knowledge and skills to their students. They can also offer activities and services within the greater community, thereby helping to create useful contacts, networks, and communities of practice. A study commissioned by the Pittsburgh Area Social Enterprise Committee in the United States concludes that university social entrepreneurship programs and activities provide capacity building to community nonprofit leaders and professionals by allowing them to tap into the myriad of workshops, seminars, and support programs found on many campuses today.<sup>119</sup> Furthermore, an informal survey by the *Social Enterprise Reporter* finds that social enterprises in the United States can access "approximately 25 campus-based centers or institutes for social entrepreneurship" and a num-

ber of other colleges or universities that sponsor business plan competitions and allow social entrepreneurs to build awareness about their projects, identify funding opportunities, and receive training.<sup>120</sup>

### ***Educational Institutions and Trends in the Middle East***

As the global examples given above show, in a healthy ecosystem for social entrepreneurship, educational institutions not only provide fertile ground for social entrepreneurs to implement innovative ideas but also play a critical role in supporting the development of social entrepreneurship as an area of teaching and academic research, and as a potential career path for young graduates. Educational institutions and systems in the Middle East, however, are lagging behind in such practices.

Previous research by the Middle East Youth Initiative has shown that institutions associated with education and the labor market are not generating the necessary skills and competencies, mindsets, and incentives to guide young people's transitions from school to work.<sup>121</sup> Major challenges include the nature of educational curricula and teaching (which remain dependent on rote memorization and tend to stifle creativity and critical thinking), the lack of involvement from the private sector in education, and inadequate opportunities for human capital development through experiential learning, volunteerism, and community work. It is no surprise, therefore, that many social entrepreneurs in the region have chosen to look toward formal and informal educational institutions, and that they see training and skills development as areas in need of innovation (see box 8; also see box 1 above).

University engagement with social entrepreneurship is evolving in the Middle East, with some promising programs under way at the time of this report's writing. A number of universities in the region have been capitalizing on global partnerships and networks to promote and recognize social entrepreneurs and social enterprises. Examples include the U.S.-Saudi Women's Forum on Social Entrepreneurship, the France-based INSEAD business school, and the inclusion of

a greater number of universities from the region into the Students for Free Enterprise (SIFE) network.

attend. Students are integrated into a network of other young social entrepreneurs, professors, and partner institutions.

The U.S.-Saudi Women's Forum on Social Entrepreneurship is a partnership formed in 2009 between the Center for Women's Leadership at Babson College and the Wellesley Center for Women, both in the United States, and Dar Al-Hekma College in Saudi Arabia.<sup>122</sup> The program helps female students in Saudi Arabia gain business skills needed for creating social enterprises. It includes an academic module offered at Dar Al-Hekma as well as one at Babson College, which a select number of Saudi Arabian students

SIFE, a global network of students, academics, and universities recognizing and promoting businesses that contribute to tackling social needs, is currently operating in only three countries in the region. To date, SIFE has 44 partner universities and faculties in Morocco, 28 in Egypt, and 9 in Tunisia. In October 2009, SIFE hosted its annual World Cup competition in Berlin, in which more than 2,000 students, faculty, business leaders, and guests from 52 countries participated. Teams from SIFE's partner universities around the world

### **Box 8. Social Entrepreneurship in Education**

#### **Fostering Innovation and Creativity in Educational Institutions**

Palestinian social entrepreneur Aref Hussein is challenging traditional teaching methods in public education systems of the region. He founded al Nayzak (translation: "the Meteor") to promote scientific thinking and innovation among students and youth in the Palestinian schools. Al Nayzak works with teachers in public schools, training them and partnering with them to incorporate critical thinking exercises and scientific production into their curricula. The organization also "sponsors a scientific incubation program called 'Made in Palestine' for young inventors and pairs them with experts in their field to scale up their original ideas into a prototype that can be patented for mass production." This program is part the "Made in the Arab World Competition," organized by the Arab Scientific and Technology Foundation in the United Arab Emirates. In 2009, eight young Palestinian innovators representing al Nayzak participated in the competition. (Participants from Gaza presented their ideas via video conferencing.)

#### **Developing Skills and Building Bridges to the Labor Market**

To fill the gap between educational institutions and the market demand for skills, the Career and Entrepreneurship Development Office (CEDO) was created at Cairo University in 2006, incubated and implemented by Nahdet El Mahrousa and supported by the International Youth Foundation (IYF). CEDO is the first program of its kind in Egypt. It currently serves students of seven faculties at Cairo University and is expanding. The office provides youth with an environment in which they are empowered to innovate, start their own businesses, and learn the skills to gain and excel at competitive employment. CEDO achieves its objectives through a range of training and internship programs, as well as services in the fields of capacity building, career counseling, and job placement. CEDO forges partnerships with the business sector to provide opportunities for practical training and employment. CEDO is a public-private partnership wherein the university provides space and strategic guidance and international donors and private sector companies provide financial and technical assistance. CEDO's initial grant was funded by USAID and implemented by IYF, an organization that supports and implements youth development programs globally and has been increasing its efforts in the Middle East.

Sources: "Al-Nayzak for Scientific Innovation Wins Three Awards in Made in the Arab World Competition Including Two First Places," Al Nayzak, <http://www.alnayzak.org/en/articles/view/section/id/24/>; and Synergos, "Aref Hussein, Palestine," <http://www.synergos.org/bios/arefhuseini.htm>; and Ashoka, "Ehaab Abdou," <http://www.ashoka.org/node/2989>; Nahdet El Mahrousa, "Career Development Office," <http://www.nahdetmasr.org/cdo>.

presented their ideas for social businesses, and the Middle East got its share of global recognition when the team from the French University in Egypt won the competition. SIFE intends to increase its presence in the Middle East.<sup>123</sup>

Many *higher educational institutions* in the region are beginning to support the study and practice of traditional entrepreneurship through academic programs, competitions, and incubators; however, with few exceptions, these efforts do not pay specific attention to how entrepreneurial activity can maximize its social impact. Academically, there are no institutionalized social entrepreneurship courses, programs, or degrees at the university level in the region. In 2008, Ashoka's Global Academy for Social Entrepreneurship listed 350 professors who are actively teaching or researching social entrepreneurship in more than 35 countries; none was based in the Middle East.<sup>124</sup>

Furthermore, few *business schools* in the region provide a framework for business responsibilities beyond making profits. Some universities, such as the American University in Cairo (AUC), are beginning to offer courses on business ethics and strategic corporate social responsibility. AUC has also embarked on its new Corporate Sustainability Capacity Building Program, a partnership between its Gerhart Center for Philanthropy and Civic Engagement, the International Executive Education Institute and a number of leading corporations in the Arab region. The program provides a range of executive management courses and peer learning opportunities.

The Corporate Sustainability Capacity Building Program links with AUC's El-Khazindar Business Research and Case Center to publish case materials on the potential impact of effective corporate sustainability management. The El-Khazindar Center hosts conferences to present and disseminate their studies, making them widely available for discussion and study in the region, and offers workshops to train students in case study analysis. This critical service of documentation and dissemination should be broadened to include cases related to social entrepreneurship and social enterprises.

University-targeted *competitions* are emerging in the region as a way to encourage innovation and entrepreneurship among students. The Best Arab Universities Technology Business Plan Competition, organized by the Arab Science and Technology Foundation in collaboration with Intel Corporation, encourages young Arab students and entrepreneurs to merge technological innovations with business opportunities, and connects them with investment and funding opportunities.<sup>125</sup> Winners of the regional competition go on to represent the Arab world at the global finals of the Intel and University of California–Berkeley Technology Entrepreneurship Challenge. Similarly, the MIT Arab Business Plan Competition, a partnership between the Massachusetts Institute of Technology and the Abdul Latif Jameel Group's social programs division, rewards and recognizes innovative start-ups by students in the Arab world.

Despite the fact that neither competition specifically targets social enterprises, three out of nine winners of the MIT Arab Business Plan Competition in 2009 proposed social enterprises in the fields of education, health, and environmental preservation.<sup>126</sup> One of the finalists of the competition was a rice straw company from Egypt that aims to solve one of the country's environmental problems by recycling rice waste while creating revenue.<sup>127</sup> In the case of the Arab Technology Business Plan Competition, a majority of finalists presented initiatives tackling social challenges, including proposals for renewable energy creation, the provision of information and communication technology services to the disabled, and various medical innovations.

Other efforts in this area include the Arab Incubators Network, which was launched by the Mohammad bin Rashid Al Maktoum Foundation in collaboration with a number of institutions around the region. The network has joint incubators with Al-Akhwayn University in Morocco and the Higher Colleges of Technology in the United Arab Emirates. These support the incubation of young graduates' start-ups while providing them with support for growth. Such initiatives are crucial for the promotion of entrepreneurship and should be adapted and replicated by all uni-

versities in the region. It is equally important that these business incubators include a clear social entrepreneurship component, because the needs of social entrepreneurs can be different from those of traditional entrepreneurs.

Finally, *community-based learning* is a missing link in most of the region's universities and schools. AUC and the American University of Beirut are among a small but growing number of universities in the region to institutionalize service learning, through the Gerhart Center and the Civic Engagement Center respectively. The Gerhart Center also serves as the secretariat for the newly formed Ma'an Arab University Alliance for Civic Engagement, which currently provides training and resources to 12 universities in 7 countries.

In summary, social entrepreneurs are piloting important and system-changing interventions in educational systems across the region. These initiatives are tackling some of the most critical obstacles facing young people as they transition from school to the labor market and must demonstrate competitive skills, entrepreneurial thinking, and a capacity for innovation, whether competing for jobs locally or globally. As the field of social entrepreneurship advances in academic institutions worldwide, there is ample room to build on promising initiatives in the region. Whether through encouraging socially responsible and sustainable business or directly stimulating student innovation through competitions and incubators, policymakers and private sector leaders should support these efforts as the first steps toward building a culture of social entrepreneurship in the Middle East.

## IV. RECOMMENDATIONS

The field of social entrepreneurship provides an innovative entry point for development practitioners, policymakers, business leaders, and civil society actors to develop sustainable solutions that can harness the potential of young people in the Middle East. On the basis of desk research and field interviews and consultations, which involved feedback from people engaged in social entrepreneurship and related fields throughout the region, we propose eight key recommendations for promoting social entrepreneurship at both the regional and national levels. These recommendations also aim to support both short- and long-term goals of effective youth development policies and programs. Successful practices pertinent to the recommendations below are highlighted throughout the report and should serve as a starting point upon which to build and learn.

All recommendations require collaboration from multiple stakeholders in order to be effectively implemented. However, this report suggests priority actors who can take the lead and coordinate efforts within each recommendation.

### **Recommendation 1: Clearly define social entrepreneurship in the Middle East**

*Lead actor(s): Regional and global social entrepreneurship and social investment entities*

There is strong potential for social entrepreneurship in the Middle East, but neither the concept nor the term has been fully integrated in the Arabic language. Regional and global social entrepreneurship organizations, with the support of local partners, need to agree on a specific Arabic term that can raise greater recognition to the relevance of the field and underpin a framework in order to boost its presence and effectiveness. The use of Arabic terms such as *rīyāda ijtimā'īyya* or *rīyāda mujtama'īyya* or *ibdā' ijtimā'ī* tend to lead to misunderstanding. Defining a new term in any language is an ongoing social process that requires time and collective thinking. In the end, this effort will ensure that the term and its definition are relevant in Arabic-speaking communities.

### **Recommendation 2: Standardize benchmarks for measuring social and environmental returns and impact**

*Lead actor(s): Regional and global social entrepreneurship and social investment entities*

Social investors are searching for new ways to evaluate their financial and social returns in a clear, standardized, and transparent fashion. With this in mind, social investors and social enterprises across the region should have increased access to measurement tools and services which would allow them to evaluate the effectiveness of particular interventions. This can take place by building from existing Social Return on Investment (SROI) tools that measure social, environmental, and economic costs and benefits. In addition, policymakers, social enterprises, and beneficiaries should be actively engaged in seeking new ways to measure project impact to achieve both qualitative and quantitative results.

### **Recommendation 3: Support incubators and seed funds targeting youth-led social enterprise start-ups**

*Lead actor(s): Corporate sector, international donors, foundations and philanthropists*

Supporting innovative start-ups is critical for elevating their chances of success and sustainability. Incubators can provide start-ups with subsidized or pro bono services such as shared infrastructure; legal and accounting support; social business planning, management, and leadership mentoring; documentation; impact evaluation; and seed funding through a seed investment fund for social enterprise start-ups. These needs have been established throughout this report. Based on existing models either globally and in the region (and depending on the specific needs and stage of the incubated entity), incubation should last for a maximum three-year period. After this period, the incubated social enterprises should graduate to independent legal entities.

#### **Recommendation 4: Assess the feasibility of national replication funds**

*Lead actor(s): Foundations, philanthropists, and international donors*

Replicating or scaling up base of the pyramid (BoP) initiatives could prove transformational in development. A national replication fund is a public-private financing model which is implemented at the country level and that matches donations and investments from a diversity of development agencies, social investors, and philanthropists with high potential, proven BoP activities. Such activities carried out by social enterprises must demonstrate proven success and meet both social and scalability criteria defined by the fund. This report recommends a “proof of concept” study to assess the feasibility and scope for launching a national replication fund.

#### **Recommendation 5: Set up a regional social investment forum for scaling up youth initiatives**

*Lead actor(s): Corporate sector, policy-makers, foundations and social investment entities*

At the regional level, there is also great potential for enhancing interaction that can support enterprise growth and promote smarter financing. Socially responsible corporate leaders can be important role models for young social entrepreneurs. They can also be major players in promoting a fair and competitive environment for social enterprise development and growth. An annual forum, led by such leaders, that has the primary aim of matching existing successful youth initiatives with social investors to provide second-round, scaling-up investment can be an important milestone for action in this field. Such a forum would bring together social investors, philanthropists, and venture capitalists with small-scale social enterprises in a common platform. It would serve the purpose of matching demand with supply—demand for channeling smarter investments with a supply of sustainable, innovative efforts on the ground. It would also provide an opportunity for cross-country learning of experiences and awareness-raising.

#### **Recommendation 6: Improve coordination of multistakeholder efforts**

*Lead actor(s): Regional and global social entrepreneurship and social investment entities*

There is considerable overlap between the corporate sector, governments, and social entrepreneurs working to address common development challenges in the Middle East. To ensure that resources are allocated effectively, coordination could be improved in these areas:

- *Cross-sectoral cooperation in government agencies:* Social entrepreneurship should be integrated into existing national mechanisms so that ideas and activities can be tested, discussed, and coordinated across sectors. Government agencies mainstreaming youth development can include representatives from private or public entities in discussions about proposed laws and regulations by either expanding participation of established coordination committees or creating new public-private partnership dialogues.
- *Between social entrepreneurs and the corporate sector:* Coordination and networking efforts between the corporate sector and social entrepreneurs/enterprises within similar sectors and industries could be strengthened. A number of large corporations are realizing the strategic potential of BoP markets, and are beginning to develop products and services for these low-income consumers. Global examples demonstrate that these efforts can have a greater impact when they are led by, or implemented in cooperation with, social enterprises. Due to the lack of such coordination in the region, the grassroots impact of these large corporate interventions remains limited.
- *Among social entrepreneurship on national and regional levels:* There is a need for establishing indigenous networks at the national, cross-national, and regional levels. Current social entrepreneurship

networks are limited in the depth and breadth of their outreach in the Middle East. Indigenous and locally-funded networks will contribute to local ownership of the concept of social entrepreneurship and will reach those social entrepreneurs located in countries—or in certain regions and sectors within countries—that are excluded from existing global networks. This should happen in coordination with existing networks operating in the region.

- *Among social entrepreneurs across regions (both South-South and global):* Improving cross-regional knowledge sharing between social entrepreneurs is a practical and important next step. Doing so will create new frameworks for engagement, knowledge exchange, and networks of collaboration, benefiting the social entrepreneurs interested in learning good practices and lessons. They will also gain visibility and strengthen their global network of colleagues and prospective collaborators.

#### **Recommendation 7: Convene national and regional policy dialogues on legal frameworks**

Lead actor(s): *National governments and policymakers*

Policy dialogues and roundtables in this area could bring together national governments, policymakers, social entrepreneurs, the corporate sector, social investment funds, and international donors. Agenda priorities would address two key concerns related to legal challenges for social entrepreneurship in the region:

- *Introducing hybrid legal models to encourage social enterprises:* This policy dialogue should aim to produce an action plan on how to introduce legal structures that are more conducive for social enterprises during their start-up, growth, and scaling-up phases. Such a dialogue would include in-depth analysis of current laws and regulations in order to identify any needed modifications or to present new policy ideas that could help enterprises better meet the

needs of their communities and evolving local economies.

- *Introducing legal frameworks to encourage the establishment of social investment funds:* This policy dialogue should aim to produce an action plan for introducing legal structures in the Middle East that are more conducive for social investment. Such a dialogue would include an in-depth analysis of global models and current laws in the region to identify needed modifications and to test ideas for new regulations. It would also provide an opportunity to present recommendations on the design of country-level legal frameworks that could encourage a stronger presence of social investment funds either by global-, regional- or country-level investors.

#### **Recommendation 8: Strengthen the demand for and the culture of social entrepreneurship among youth and communities**

Lead actor(s): *Educational institutions, the media and marketing firms*

- *Promote education initiatives related to social innovation and civic engagement:* National educational systems can promote opportunities for community service and skills building; provide needed support for emerging social entrepreneurs, such as on-campus incubators and networks; and support the spirit of entrepreneurship by illuminating and legitimizing social entrepreneurs. In the medium to long term, there is an important role for educational institutions at the basic, secondary, and higher education levels. Social entrepreneurship can be integrated into course curricula across a number of disciplines and subjects, helping students develop the necessary skill sets to succeed in both the business and social spheres.
- *Introduce social entrepreneurship consumer labels and identifiers:* Officially recognized social enterprises could help foster cultural awareness by introducing

identifiers for goods and services. Following the example of the fair trade industry, globally recognizable labels that signal that a product is from the Middle East and is “social-enterprise” friendly is one way of raising the visibility of the field among the public and its impact on local communities. Improved recognition and publicity would affect both awareness of and demand for goods and services provided by social enterprises. It would also create incentives for the corporate sector to invest in social enterprises in order to benefit from this increased demand among consumers.

In the Middle East, any progress in youth development will depend on active collaboration across institutions on the national level as well

as greater cooperation between countries at the regional level. The moment of opportunity for global players to influence and harness the potential of such partnerships is now. Social entrepreneurship is one platform upon which to do so. It requires that key institutional actors work together to create a supportive environment for innovation and growth in the area of sustainable development. Government, business and civil society leaders must pursue new ways to identify and then adapt good practices emerging across the region and around the globe. The recommendations in this report are proposed to facilitate the development of institutional alliances that need to take place in order to capitalize on social entrepreneurship, boost economic opportunities for young people in the Middle East, and prepare the region become more fully integrated into a rapidly changing global economy.

## ANNEX: PARTICIPATING INDIVIDUALS AND ORGANIZATIONS

### Middle East Social Entrepreneurs and Innovators Interviewed

The social entrepreneurship roundtables organized in Cairo, Amman, and Beirut benefited from the participation of a number of the region's leading social entrepreneurs and experts. In addition, some others who were not able to join the roundtables were contacted individually by telephone or email. We would like to thank them all for their valuable insights and time, and for the work they are doing for the region. We would also like to especially thank Sarina Beges for her valuable contribution and support.

M'hamed Al Andaloussi	Association Partenariat École Entreprise, Al-Jisr, Morocco
Paul Abi Rached	T.E.R.R.E Liban, Lebanon
Mariam Abu Adas	Zibr, Jordan
Oraib Al Faouri	Tamweelcom, Jordan
Rawan Al Zein	Ta'leeh, Jordan
Salah Arafa	General Association for Internal Migration, Egypt
Magdy Aziz	Tanweer Association for Education and Development, Egypt
Sarah Baydoun	Sarah's Bag, Lebanon
Samar Dudin	Takween and Ruwwad, Jordan
Marwa El Daly	Waqfeyet El Maadi Al Ahleya, Egypt
Raghda El Ebrashi	Alashanek Ya Balady for Sustainable Development, Egypt
Dima El-Khoury	Injaz, Lebanon
Essam Ghoneim	Mabarra Association, Egypt
Ziad Hamzeh	Al-Amareen Camp, Jordan
Maha Helali	ADVANCE Society and the Learning Resource Center, Egypt
Ali Hussein	The Fast Aid Association for Chronic Diseases, Egypt
Seham Ibrahim	The Tofulty Foundation, Egypt
Azza Kamel	Alwan we Awtar NGO, Egypt
Rami Mehdawi	Palestinian Non-Governmental Organizations Forum, West Bank
Kamal Mouzawak	Souk el-Tayeb, Lebanon
Emad Mubarak	Association for Freedom of Thought and Expression, Egypt
David Munir Nabti	Rootspace, Lebanon
Nadine Okla	Skoun Rehabilitation Center, Lebanon
Faryrouz Omar	Qalb Kebeer, Egypt
Tarek Ramadan	Community Development Association in Kom Al Ahmar, Egypt
Jacqueline Sfeir	MaDad for Childhood Programs Co. Ltd., West Bank
Sani Kozman	Caritas, Egypt
Ranwa Yehia	Arab Digital Expression Camps, Egypt
Rabee Zureikat	Zikra Initiative, Jordan

## Key Organizations Interviewed

A number of individuals contributed their time and insights during the research and writing of this report, whether through meetings in person, over the phone, or by email:

Ranya Abdel Baky	Sanabel, Microfinance Network of Arab Countries, Egypt
Julia Assaad	Grameen-Jameel, United Arab Emirates
Hania Aswad	Naseej Community Youth Development Initiative, Jordan
Marwan Awartani	Arab Foundations Forum, West Bank
Virginia Barreiro	New Ventures—World Resources Institute, United States
Sarina Beges	Synergos Institute, United States
Edward Buckingham	INSEAD Business School, France
Laura Callanan	McKinsey & Company, United States
Kareem El-Bayar	International Center for Not-for-Profit Law, United States
Mona El Sayed	Fair Trade Egypt, Egypt
Ahmed Ezzat	Endeavor, Egypt
Tony Feghali	American University of Beirut, Lebanon
Walid Hanna	Formerly of the Arab Business Angels Network
Heba Handoussa	Professor and lead author, Egypt Human Development Report
Hala Hattab	British University in Egypt
Nesreen Heina	Naseej Community Youth Development Initiative, Jordan
Mounira Hoballah	Issam Fares Institute for Public Policy & International Affairs, American University of Beirut
Randall Kempner	Aspen Network for Development Entrepreneurs, United States
Tarek Kettaneh	American University of Beirut
George Khalaf	Synergos Institute, United States
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Mounir Mabsout	American University of Beirut
Bridget McNamer	Skoll foundation, United States
Katherine Milligan	Schwab Foundation for Social Entrepreneurship, Switzerland
Mouna Moussi	MIT Enterprise Forum—Pan Arab, Lebanon
Dale Murphy	Dubai School of Government
Jonathan Ortmans	Kauffman Foundation
Saqib Rashid	Abraaj Capital, Dubai, UAE
Sam Reid	Grassroots Business Fund, United States
Suha Al Najjar	Naseej Community Youth Development Initiative, Jordan
Peter Reiling	Aspen Institute, United States
Zina Sawaf	Issam Fares Institute for Public Policy & International Affairs, American University of Beirut
Scott Schirmer	U.S. Agency for International Development
Ankur Shah	Acumen Fund, Dubai, UAE
Sahba Sobhani	UNDP, United States
Lois Stevenson	International Development Research Center, Egypt
Nabil Tarazi	Wadi Finan Eco-lodge, Jordan
Chris Walker	Global Alliance for Improved Nutrition, Switzerland
Jamil Wyne	Ashoka Arab World, Egypt
Joelle Yazbeck	American University of Beirut
Philip Zgheib	American University of Beirut

**Key Participating Organizations at the “Social Entrepreneurship and Social Investment in the Middle East” Roundtable, Washington, D.C.**

Special thanks are offered to the following organizations for their participation at the “Social Entrepreneurship and Social Investment in the Middle East” roundtable held on February 23, 2010 at Brookings:

- AccountAbility
- Ashoka
- Aspen Network of Development Entrepreneurs
- Aspen Institute
- AllWorld Networks
- Arthur M. Blank Center for Entrepreneurship at Babson College
- Bureau of Democracy, Human Rights and Labor, U.S. Department of State
- Dubai Initiative at Harvard University’s Kennedy School of Government
- Education for Employment Foundation
- Foreign Assistance Reform Project, Global Economy and Development Program at Brookings
- Fundacion Paraguaya
- Global Business School Network
- Global Partnership Initiative, U.S. Department of State
- International Finance Corporation
- International Labor Affairs Bureau, U.S. Department of Labor
- Kauffman Foundation
- John F. Kennedy School of Government at Harvard University
- Making Cents International
- Mercy Corps
- Monitor Group

- Network for Teaching Entrepreneurship
- Middle East Partnership Initiative, U.S. Department of State
- Office of Commercial and Business Affairs, U.S. Department of State
- United Nations Development Program
- World Congress of Muslim Philanthropists
- Skoll Foundation
- U.S. Agency for International Development

**Organizations Providing Assistance through Meetings and Consultations**

We would also like to extend our appreciation to the following organizations for their valuable insights through meetings and consultations throughout this research project:

- Aga Khan Foundation
- American Chamber of Commerce in Egypt
- Aramex
- Bill and Melinda Gates Foundation
- Canadian International Development Agency
- Development Gateway
- Drosos Foundation
- Ford Foundation
- Habitat for Humanity International
- International Development Law Organization
- International Youth Foundation
- Network of European Foundations
- Open Society Institute
- Questscope
- Rockefeller Brothers Fund

- United Nations Development Program (UNDP)
- United Nations Educational, Scientific and Cultural Organization (UNESCO)
- United Nations International Children's Fund (UNICEF)
- World Bank
- U.S. Agency for International Development/Jordan
- Office of Middle East Partnerships, U.S. Agency for International Development
- Young Arab Leaders

## ENDNOTES

1. U.S. Census Bureau, International Data Base, <http://www.census.gov/ipc/www/idb/>. Projections are midyear populations in 2010 for the following countries: Algeria, Bahrain, Egypt, Iran, Iraq, Jordan, Kuwait, Libya, Lebanon, Morocco (including the Western Sahara), Oman, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates, the West Bank and Gaza Strip, and Yemen.
2. United Nations Development Program (UNDP), *Arab Human Development Report: Challenges to Human Security in the Arab Countries* (New York: UNDP Regional Bureau for Arab States, 2009), 109. Ali Abdel-Gadir and Khalid Abu-Ismaïl, *Development Challenges for the Arab Region: A Human Development Approach* (Cairo: UNDP and League of Arab States, 2009), 32-33.
3. World Bank and International Finance Corporation, *Doing Business in the Arab World 2010* (Washington: World Bank, 2009). *Doing Business* reports, produced annually since 2003, provide “a quantitative measure of regulations for starting a business, dealing with construction permits, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business—as they apply to domestic small and medium-size enterprises.” See [www.doingbusiness.org](http://www.doingbusiness.org).
4. To be classified as a “top reformer,” countries must reform in three out of the 10 areas assessed by *Doing Business* and improve their rankings in the overall ease of doing business index produced by *Doing Business*.
5. See Navtej Dhillon, Paul Dyer, and Tarik Yousef, “Generation in Waiting: An Overview of School to Work and Family Formation Transitions,” in *Generation in Waiting: The Unfulfilled Promise of Young People in the Middle East*, edited by Navtej Dhillon and Tarik Yousef (Washington: Brookings Institution, 2009). Navtej Dhillon et al., “Missed by the Boom, Hurt by the Bust: Making Markets Work for Young People in the Middle East,” Middle East Youth Initiative report, (Washington: Wolfensohn Center for Development at Brookings and Dubai School of Government, 2009).
6. Organisation for Economic Co-operation and Development (OECD), DAC database, [www.oecd.org/dac/stats/idsonline](http://www.oecd.org/dac/stats/idsonline).
7. See Homi Kharas, “Action on Aid: Steps toward Making Aid More Effective,” (Washington: Wolfensohn Center for Development at Brookings, 2009), 4-5. [http://www.brookings.edu/~media/Files/rc/reports/2009/04\\_aid\\_kharas/04\\_aid\\_kharas.pdf](http://www.brookings.edu/~media/Files/rc/reports/2009/04_aid_kharas/04_aid_kharas.pdf). Homi Kharas, “Measuring the Cost of Aid Volatility,” Wolfensohn Center Working Paper 3, (Washington: Wolfensohn Center for Development at Brookings, 2008). [www.brookings.edu/papers/2008/07\\_aid\\_volatility\\_kharas.aspx](http://www.brookings.edu/papers/2008/07_aid_volatility_kharas.aspx).
8. Kharas, “Action on Aid.”
9. Economic and Social Commission for Western Asia (ESCWA), “Foreign Direct Investment Report,” (New York: United Nations, 2009), 2. <http://www.escwa.un.org/information/publications/edit/upload/edgd-09-TP2.pdf>.
10. Jennifer Bremer, “Islamic Philanthropy: Reviving Traditional Forms for Building Social Justice” (presentation, Center for the Study of Islam & Democracy Fifth Annual Conference, Washington, DC, May 28–29, 2004). [https://www.csidonline.org/documents/pdf/5th\\_Annual\\_Conference-Bremer\\_paper.pdf](https://www.csidonline.org/documents/pdf/5th_Annual_Conference-Bremer_paper.pdf).
11. See J. Gregory Dees, “The Meaning of ‘Social Entrepreneurship’” (2001). <http://cdi.mecon.gov.ar/biblio/docelec/dp4012.pdf>. J. Gregory Dees, “Social Ventures as Learning Laboratories,” *Innovations* (Davos and Cambridge: Klosters and MIT Press, 2009), 15. [http://www.caseatduke.org/documents/Articles-Research/INNOVATIONS-Davos-2009\\_Deess.pdf](http://www.caseatduke.org/documents/Articles-Research/INNOVATIONS-Davos-2009_Deess.pdf); Paul Light, *The Search for Social Entrepreneurship* (Washington: Brookings Institution, 2008), 11–15. Center for the Advancement of Social Entrepreneurship (CASE), Fuqua School of Business, “Developing the Field of Social Entrepreneurship,” (Durham, NC: Duke University, 2008). Alex Nicholls with Cathy Pharaoh, “The Landscape of Social Investment: A Holistic Topology of Opportunities and Challenges,” Skoll Center for Social Entrepreneurship Working Paper (Oxford: Oxford Said Business School, 2008), 7. Roger L. Martin and Sally Osberg, “Social Entrepreneurship: The Case for Definition,” *Stanford Social Innovation Review* 5, no. 2 (2007). Ana María Peredo and Murdith McLean, “Social Entrepreneurship: A Critical Review of the Concept,” *Journal of World Business* 41, no. 1 (2006): 56–65.

12. "What Is Social Entrepreneurship?," *CASE*, <http://www.caseatduke.org/about/whatisocialentrepreneurship/>.
13. "Selection Criteria," *Ashoka*, <http://www.ashoka.org/support/criteria>.
14. Christian Seelos and Johanna Mair, "Social Entrepreneurship: The Contribution of Individual Entrepreneurs to Sustainable Development," IESE Business School Working Paper 553, (Madrid: IESE Business School – Universidad de Navarra, 2004). Light, *The Search for Social Entrepreneurship*.
15. Monitor Institute, *Investing for Social and Environmental Impact: A Design for Catalyzing an Emerging Industry* (San Francisco: Monitor Institute, 2009).
16. On the triple bottom line, see John Elkington, *Cannibals with Forks: The Triple Bottom Line of 21st Century Business*. (Gabriola Island, B.C.: New Society Publishers, 1999). See also Andrew Savitz with Karl Weber, *The Triple Bottom Line: How Today's Best-Run Companies Are Achieving Economic, Social and Environmental Success—and How You Can Too* (San Francisco: Jossey-Bass, 2006). On the blended value proposition, see Jed Emerson, "The Blended Value Proposition: Integrating Social and Financial Returns," *California Management Review* 45, no. 4 (2003). See also [www.blendedvalue.org](http://www.blendedvalue.org). On social return on investment, see Office of the Third Sector, Cabinet Office, "A Guide to Social Return on Investment," (London: Society Media, 2009). See also Jed Emerson, Jay Wachowicz, and Suzi Chun, "Social Return on Investment: Exploring Aspects of Value Creation in the Nonprofit Sector," (San Francisco, CA: Roberts Enterprise Development Fund, 1999).
17. Kareem El-Bayar, "The Legal and Regulatory Framework Governing Social Entrepreneurship in the Middle East: Opportunities, Challenges, and the Way Forward," (unpublished background paper prepared for the Middle East Youth Initiative, International Center for Not-for-Profit Law, 2010).
18. "ICP's Work in the Middle East and North Africa," *Innovations in Civic Participation*, <http://www.iccp.org/ht/d/sp/i/8689/pid/8689>.
19. "Communities of practice are groups of people who share a concern, a set of problems, or a passion about a topic, and who deepen their knowledge and expertise in this area by interacting on an ongoing basis." Etienne Wenger, Richard McDermott, and William M. Snyder, *Cultivating Communities of Practice: A Guide to Managing Knowledge* (Boston: Harvard Business School Press, 2002), 4.
20. See the annex for a full listing of the names of individuals and organizations that participated in the roundtables.
21. A Nexis search of English-language news sources for the phrase "social entrepreneurship" demonstrates the concept's increasing popularity over the past five years. The search returned 2,145 results containing the exact phrase between April 6, 2009, and April 5, 2010, with decreasing results for each preceding year, yielding only 562 results between April 6, 2005, and April 5, 2006.
22. David Bornstein, *How to Change the World: Social Entrepreneurs and the Power of New Ideas* (New York: Oxford University Press, 2007), 3-6. Alex Nicholls, *Social Entrepreneurship: New Models of Sustainable Social Change* (New York: Oxford University Press, 2006), 8-9.
23. Sekem has developed biodynamic farming methods in Egypt that rely on organic cultivation, improve agro-biodiversity, and do not produce any unusable waste.
24. Other variations of this term—such as "*rāid ijtimāʿī*"—were also checked with the same result.
25. This perception was cited during roundtables and interviews with social entrepreneurs in Egypt, Jordan, and Lebanon, in October and November 2009.
26. Ashoka established an office in Cairo in 2003 and has since elected 49 fellows; Schwab foundation elected its first fellow from the Middle East in 2004 and has since elected 8 fellows. In 2009, the following organizations elected their first fellows in the Middle East: Synergos' Arab World Social Innovators (22 fellows), Skoll Foundation (2) and Echoing Green (1). Note that there are a few social entrepreneurs who have

- been recognized by more than one organization.
27. Most of the subsequent insights are drawn from material available on the Ashoka, Skoll Foundation, Schwab Foundation, Synergos, and Echoing Green websites. All material was accessed in March 2010.
  28. For example, Wael Hmaidan, the founder of a IndyAct, an organization that supports the work of social activists in Lebanon and the Arab world and that provides role models for local communities, describes how watching featured activists on an MTV program at age 15 was a defining moment in developing his interest in environmental protection and shaping his views on the importance of social activists as role models. See “Wael Hmaidan,” *Ashoka*, <http://ashoka.org/whamdian>.
  29. “Fairouz Omar,” *Ashoka*, <http://ashoka.org/fellow/5667>.
  30. “Essam Ghoneim,” *Ashoka*, <http://www.ashoka.org/node/4317>.
  31. “Samy Gamil,” *Ashoka*, <http://www.ashoka.org/fellow/4320>.
  32. For example, Synergos’ Arab World Social Innovators program only selects from the former five countries.
  33. See, for example, UNDP and Institute of National Planning (Egypt), *Egypt Human Development Report 2005, Choosing our Future: Towards a New Social Contract* (New York: UNDP, 2005); and UNDP, *Arab Human Development Report: Challenges to Human Security in the Arab Countries*.
  34. Microfinance Information Exchange, Inc. (MIX) and Sanabel, “2008 Arab Microfinance Analysis and Benchmarking Report,” (2009). [http://www.themix.org/sites/default/files/Arab%20Microfinance%20Analysis%20and%20Benchmarking%20Report%20-%20English\\_2.pdf](http://www.themix.org/sites/default/files/Arab%20Microfinance%20Analysis%20and%20Benchmarking%20Report%20-%20English_2.pdf). On the increasing attention being paid to this industry in the region, see also Simon Zadek, Alex MacGillivray and Darin Rovere, “Responsible Competitiveness in the Arab World 2009,” (London: AccountAbility, 2009).
  35. MIX and Sanabel, “2008 Arab Microfinance Analysis and Benchmarking Report,” 3.
  36. *Ibid.*
  37. Grameen-Jameel Pan-Arab Microfinance Ltd, interviewed by author, March 2010.
  38. For more on leveraged nonprofits, see John Elkington and Pamela Hartigan, *The Power of Unreasonable People: How Social Entrepreneurs Create Markets That Change the World* (Boston: Harvard Business Press, 2008). See also “About the Organizational Models,” *Schwab Foundation for Social Entrepreneurship*, <http://www.schwabfound.org/sf/SocialEntrepreneurs/Profiles/Abouttheorganizationalmodels/index.htm>. On enterprising nonprofits, see J. Gregory Dees, Jed Emerson, and Peter Economy, *Enterprising Nonprofits: A Toolkit for Social Entrepreneurs* (Hoboken, N.J.: Wiley, 2001). On social businesses, see Muhammad Yunus, *Creating a World without Poverty: Social Business and the Future of Capitalism* (New York: PublicAffairs, 2008).
  39. Saadia Zrira, a social innovator recognized by Synergos, founded the Association for Sustainable Development, while Wafa Zerrouki, also recognized by Synergos, established the Association for Women’s Traditional Handicraft in the High Atlas Mountains. “Saadia Zrira, Morocco,” *Synergos*, <http://www.synergos.org/bios/saadia-zrira.htm>. “Wafa Zerrouki, Morocco,” *Synergos*, <http://www.synergos.org/bios/wafazerrouki.htm>.
  40. Niels Bosma and Jonathan Levie, “Global Entrepreneurship Monitor, 2009 Global Report,” (Babson College, Universidad des Desarrollo, Reykjavik University and London Business School, 2010), 50. <http://www.gemconsortium.org/article.aspx?id=137>.
  41. On Sekem, see Elkington and Hartigan, *The Power of Unreasonable People*, 44–49. For more on the Grameen-Jameel partnership, see the discussion in “The Role of the Corporate Sector” below.
  42. This perception was cited during roundtables and interviews with social entrepreneurs in Egypt, Jordan, and Lebanon, in October and November 2009.
  43. *Ibid.*

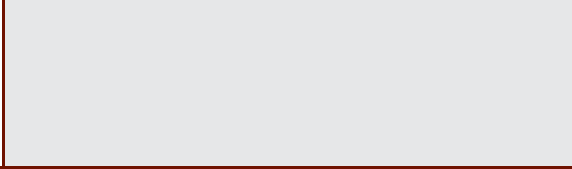
44. "One of many legal gray areas for civil society in the Arab world is the question of whether or not nonprofit organizations are allowed to make use of commercial loans. In theory, as a registered legal entity, a nonprofit should be able to access a commercial loan the same way that any corporation or individual can. However, Arab laws are silent on the question of commercial loans, and given the restrictions on domestic and foreign fundraising, many leaders of nonprofit organizations and bankers are unsure of the legality of commercial lending. Further, while almost all Arab laws prohibit 'financial speculation' for nonprofits, this term is not defined, and may be interpreted to include commercial lending." El-Bayar, "Legal and Regulatory Framework Governing Social Entrepreneurship in the Middle East."
45. Several international media outlets have already launched broadcast and Web-based media features dedicated to showcasing the work of social entrepreneurs. For instance, in June 2009, the BBC World Service ran a segment on social entrepreneurship in the Middle East, highlighting the work of three social entrepreneurs from Egypt, Lebanon, and the West Bank and Gaza. Peter Day, "Social Entrepreneurs," *BBC World Service*, 16 June 2009, [http://www.bbc.co.uk/worldservice/business/2009/06/090616\\_globalbusiness\\_160609.shtml](http://www.bbc.co.uk/worldservice/business/2009/06/090616_globalbusiness_160609.shtml). On the global level, BBC World News, *Newsweek* and Shell, has sponsored the annual "World Challenge" competition since 2005. Participants in the "World Challenge" are leading projects and small businesses that are engaging in innovative enterprises at "a grassroots level." For more information, see <http://www.theworldchallenge.co.uk/>. Another active media project is CNN International's "Be the Change" series, which gave a public platform to six participants working on social projects in Tanzania, South Africa, Cambodia, Thailand, Ghana, and India. For more information on "Be the Change," see <http://edition.cnn.com/CNN/Programs/bethechange/>.
46. Souktel has been recognized by Synergos' Arab World Social Innovator program, the World Economic Forum on the Middle East, and the King Abdullah II Award for Youth Innovation and Achievement.
47. Issam Fares Institute for Public Policy and International Affairs, "Young Egyptians Reinvent Civic Engagement, Leading to New Forms of Public Service," *Youth in the Arab World Public Policy Memo*, (Beirut: American University in Beirut, 2008). [http://www.aub.edu.lb/ifi/public\\_policy/arab\\_youth/Documents/ifi\\_ay\\_memo01\\_ibrahim.pdf](http://www.aub.edu.lb/ifi/public_policy/arab_youth/Documents/ifi_ay_memo01_ibrahim.pdf).
48. This perception was cited during a roundtable with Egyptian social entrepreneurs in Cairo in October 2009.
49. "Leadership Speaks" (opening plenary, 3rd World Congress of Muslim Philanthropists, Building a Better World: New Horizons—Sound Strategies, Doha, March 21–22, 2010).
50. See Andrew Wolk, "Advancing Social Entrepreneurship: Recommendations for Policy Makers and Government Agencies," (Queenstown, MD: Aspen Institute and Root Cause, 2008), 13.
51. "Community Interest Companies," *Regulator of Community Interest Companies*, <http://www.cic-regulator.gov.uk/aboutUs.shtml>.
52. "Jordan's Law on Societies of December 2008 abolished the not-for-profit company and required all existing companies to register as 'special societies.' The draft law that is being proposed to replace the current Egyptian NGO law (Law 84 of 2002) contains a provision that, if passed, would effectively abolish not-for-profit companies by requiring that 'any activity of an association or foundation' be conducted in an association or foundation." El-Bayar, "Legal and Regulatory Framework Governing Social Entrepreneurship in the Middle East."
53. "Best Practices in Entrepreneurship Policy: An Arab Regional Conference of Practitioners & Scholars" conference organized by the Legatum Institute and the Dubai School of Government, Dubai, November 19–20, 2009.
54. This is particularly relevant to MFIs, which are perhaps most conducive to operating as cooperatives. In the region, however, MFIs structured as cooperatives are mainly limited to Syria, the West Bank and Gaza, and Mauritania. (Sana-bel, interviewed by author, November 2009.) As mentioned above, there are cooperatives in Jordan and Morocco that have been globally recognized by social entrepreneurship support organizations for their work in promoting rural and agricultural workers' livelihoods; however, they are the exception rather than the standard.

55. This and subsequent references to the regulatory environment and specific laws governing non-profit organizations in the Middle East are drawn from: El-Bayar, "Legal and Regulatory Framework Governing Social Entrepreneurship in the Middle East."
56. Republic of Yemen, Law 1 of 2001, Article 2. United Arab Emirates, Federal Law No. 2 of 2000, Article 3. The Minister of Social Affairs may grant an exemption for this requirement. The minimum of members required is five. State of Qatar, Law 12 of 2004, Article 1.
57. For further discussion of these approaches, see the Nonprofit Enterprise and Self-sustainability Team (NESsT) Legal Series. For example: Santiago Mazzeo and Nicole Etchart, "The Legal and Regulatory Framework for CSO Self-financing in Argentina," NESsT Legal Series, (Santiago, Chile: NESsT, 2009).
58. NESsT is careful to note that it is impossible to immediately determine which framework is preferable. It suggests evaluating the various approaches based on four criteria: the complexity of administration and implementation, the effects on revenue collection, the effects on the commercial sector, and the effects on the nonprofit sector (and, implicit in this, their ability to self-finance). For instance, while a blanket tax may be the easiest to administer and the source-of-income test the most difficult, the latter is most likely to keep nonprofits "focused on activities that benefit the public good."
59. Fair Trade Egypt, interviewed by author, November 2009.
60. El-Bayar, "Legal and Regulatory Framework Governing Social Entrepreneurship in the Middle East."
61. Arab Republic of Egypt, Law 84 of 2002, Article 13.
62. Palestinian Authority, Law 1 of 2000, Article 14.
63. Republic of Lebanon, Law on Associations of 1909, Article 17.
64. Acumen Fund, interviewed by author and email correspondence with author, October 2009. The other major global social investment fund that started operations recently in the region is the Global Alliance for Improved Nutrition (GAIN), which invests with social investment funds globally to fund social enterprises focused on providing improved nutrition for BoP markets. Currently, GAIN has no separate legal entity as it operates through a partnership with the World Food Program in Egypt, and for now GAIN "will not be making debt or equity investments in the region." GAIN, email correspondence with author, March 2010.
65. For a discussion on when and how to introduce voluntary savings services in MFIs in the developing world, see "Introducing Savings in Microcredit Institutions: When and How?" Focus Series no. 8, (Washington: Consultative Group to Assist the Poor, 1997). <http://www.cgap.org/gm/document-1.9.2553/FN8.pdf>.
66. For instance, after the law allowing for MFIs to offering savings deposits services had been enacted in Yemen, Al-Amal Microfinance Bank's savings clients grew to 49 percent of its client base. Today, total deposits are about 30 percent of their gross loan portfolio. They have also recently launched a private investors' fund to mobilize Yemeni capital, which has garnered commitments of approximately \$2.8 million from individuals. Silatech, interview with author, March 2010.
67. Ala'a Abbassi et al., "Access to Finance: Microcredit and Branchless Banking in the Hashemite Kingdom of Jordan," (Washington: Consultative Group to Assist the Poor, 2009), 14. [http://www.cgap.org/gm/document-1.1.1304/Jordan\\_Diagnostic\\_Report\\_2009.pdf](http://www.cgap.org/gm/document-1.1.1304/Jordan_Diagnostic_Report_2009.pdf).
68. "The Rise, Fall, and Recovery of the Microfinance Sector in Morocco," (Washington: Consultative Group to Assist the Poor, 2009). [http://www.cgap.org/gm/document-1.9.41164/BR\\_Microfinance\\_Sector\\_Morocco.pdf](http://www.cgap.org/gm/document-1.9.41164/BR_Microfinance_Sector_Morocco.pdf).
69. Xavier Reille, "Unsustainable Growth: Morocco's Microfinance Story," *Microfinance Gateway*, 21 January 2010, <http://www.microfinancegateway.org/p/site/m/template.rc/1.26.12518/>.
70. See Helmut K, Anheier and Lester M Salamon, "Volunteering in Cross-National Perspective: Initial Comparisons," *Law and Contemporary Problems* 62 (1999): 43–66.

71. "Social Innovation Fund," *Corporation for National and Community Service*, <http://www.nationalservice.gov/about/serveamerica/innovation.asp>.
72. See "London 2012," *Social Enterprise London*, <http://www.sel.org.uk/2012.aspx>.
73. Arab Republic of Egypt, Law 84 of 2002, Article 51.
74. Kingdom of Jordan, Law 51 of 2008, Article 22.
75. Republic of Yemen, Law 1 of 2001, Article 21.
76. Republic of Yemen, Law 1 of 2001, Article 18, 21.
77. See Linklaters, "Fostering Social Entrepreneurship. Legal, Regulatory and Tax Barriers: A Comparative Study" (presentation, World Economic Forum, Davos, Switzerland, January 2006).
78. This perception was cited during roundtables and interviews with social entrepreneurs in Egypt, Jordan, and Lebanon, in October and November 2009.
79. UNDP, interviewed by author, October 2009. The ESG Index was developed by Hawkamah with support from the International Finance Corporation. See "ESG Index," *Hawkamah*, [http://www.hawkamah.org/sectors/listed\\_companies/esg.html](http://www.hawkamah.org/sectors/listed_companies/esg.html).
80. Navtej Dhillon et al., "Missed by the Boom, Hurt by the Bust."
81. See, for example, the Intilaaqah programs across the Middle East, drawn from Shell's LiveWire program, operating in 25 countries, to encourage youth entrepreneurship.
82. J.E. Austin, *The Collaboration Challenge: How Nonprofits and Business Succeed through Strategic Alliances*. (San Francisco: Jossey-Bass, 2000). Jeb Brugmann and C.K. Prahalad, "Cocreating Business's New Social Compact," *Harvard Business Review* (February 2007). Jane Nelson and Beth Jenkins, "Investing in Social Innovation: Harnessing the Potential of Partnership between Corporations and Social Entrepreneurs," Corporate Social Responsibility Initiative Working Paper No. 20. (Cambridge, MA: John F. Kennedy School of Government, 2006).
83. Notable examples include Jordan's and Egypt's education initiatives and Microsoft's Partners in Learning Initiative, which is working with ministries of education in several Arab countries on providing teachers with technical skills for information and communication technologies, as well as with financial services aimed at providing affordable computer and Internet technology to low-income populations. Injaz Al-Arab has grown successfully by tapping into private sector employees' capabilities and talent.
84. See C.K. Prahalad, *The Fortune at the Bottom of the Pyramid* (Upper Saddle River, NJ: Wharton School Publishing, 2006). See also Stuart L. Hart, *Capitalism at the Crossroads: Aligning Business, Earth, and Humanity* (Upper Saddle River, NJ: Wharton School Publishing, 2007).
85. UNDP, *Business Solutions for Human Development* (Cairo: UNDP, 2007). <http://www.undp.org/Portals/0/Business%20Solutions%20Report%20English.pdf>.
86. For more information on Grameen-Jameel, see: <http://www.grameen-jameel.com>.
87. Silatech, email correspondence with author, April 2010. A similarly innovative model of demand-driven job training and placement through public-private partnerships is that of the Education for Employment Foundation (EFE). EFE works with corporations and industries across the region, assessing demand for skills and providing tailored training for young people accordingly. For more information on EFE see: <http://www.efefoundation.org/>.
88. For more information on Ruwwad, see: <http://www.ruwwad.net/>.
89. "Iskandar Laila," *Schwab Foundation for Social Entrepreneurship*, <http://www.schwabfound.org/sf/SocialEntrepreneurs/Profiles/index.htm?name=0&sorganization=54655&sarea=0&sector=0&stype=0>.
90. Spirit of Youth has established an informal recycling school and a recycling educational program for the zabaleen youth in Egypt. See "Ezzat Naem, Egypt," *Synergos*, <http://www.synergos.org/bios/ezzatnaem.htm>.
91. Tarek Hatem, "LYDEC: Providing Electricity, Water & Sanitation to Casablanca's Shanty Towns," Growing Inclusive Markets Case Study, (New York: UNDP, 2007).

92. Ibid.
93. As of 2007, 75 Siwans were employed by EQI's enterprises and an additional 300 to 320 were provided with income-generating opportunities each month. EQI's initiatives in Siwa have also advocated for the protection of nonrenewable groundwater resources, successfully limiting land reclamation plans from 250,000 feddans to only 25,000 (1 feddan = 1.038 acres, or 4,200 square meters). See Tarek Hatem, "Siwa Sustainable Development Initiative," *Growing Inclusive Markets Case Study*, (New York: UNDP, 2007), 2.
94. Habitat for Humanity International, interview with author, March 2010.
95. Nicholls with Pharaoh, "The Landscape of Social Investment."
96. See "Key Principles of Social Entrepreneurship" above for a definition of social investment, as well as reference to some of the mechanisms for measuring the return on investment in this emerging industry, including the blended value proposition, triple bottom line, and social return on investment.
97. Monitor Institute, *Investing for Social and Environmental Impact*, 15.
98. The Schwab Foundation for Social Entrepreneurship estimates the value of the social investment market in the United States to be \$2.3 trillion and, in Europe, over €1 trillion (\$1.4 trillion). "Global Agenda Council on Social Entrepreneurship: Draft Proposal," (unpublished, Schwab Foundation for Social Entrepreneurship, 2009).
99. This definition of intermediaries is distinct from the one supplied by Michael Chertok, Jeff Hamoui and Eliot Jamison, who identify *intermediary investors* as "social venture capital funds, community development financial institutions, social enterprise and non-profit loan funds, international small- and medium-size enterprise development funds, venture philanthropists, specialized foundations, and socially responsible mutual funds." Michael Chertok, Jeff Hamoui and Eliot Jamison, "The Funding Gap," *Stanford Social Innovation Review* 6, no. 2 (2008). [http://www.ssireview.org/images/articles/2008SP\\_feature\\_chertok\\_hamaoui\\_jamison.pdf](http://www.ssireview.org/images/articles/2008SP_feature_chertok_hamaoui_jamison.pdf).
100. For more information on the Global Social Investment Exchange, see: <http://www.gsix.com/AboutUs.aspx>.
101. For more information on ASEN, see: <http://www.asenetwork.org>.
102. For more information, on the Social Entrepreneurship Corps, see: <http://www.socialentrepreneurcorps.com/>.
103. Endeavor, a global non-profit organization dedicated to supporting high-impact entrepreneurs, has also recently established its first branch in Egypt. For more information on Endeavor's mission and regional activities, see: <http://www.endeavor.org>.
104. While Ashoka and Synergos target smaller initiatives, the Skoll Foundation supports organizations with activities primarily in developing countries that have annual revenues above \$1 million. Skoll Foundation, interview with author, August 2009. Skoll Foundation, email correspondence with author, March 2010.
105. The Arab Business Angels Network suspended operations in 2008 due to some organizational difficulties and unmet commitments in the wake of the global financial crisis. Additionally, one of the challenges identified by some of its co-founders was the lack of resources needed to help young entrepreneurs with business planning. Arab Business Angels Network, interview with author, November 2009.
106. "Saudi Companies & Social Responsibility: Challenges and Ways Forward," (Jeddah, Saudi Arabia and Lund, Sweden: Tamkeen Development and Management Consulting and International Institute for Industrial Environmental Economics, 2007), 20-21.
107. Schwab Foundation for Social Entrepreneurship, "Global Agenda Council on Social Entrepreneurship: Draft Proposal," November 2009 (unpublished).
108. "Corporate Governance in Abraaj, An Overview" (presentation, Hawkamah 3<sup>rd</sup> Annual Conference, Doha, November 10, 2008). [http://www.abraaj.com/mediacenter/Files/presentations/Corporate\\_Governance\\_in\\_Abraaj.pdf](http://www.abraaj.com/mediacenter/Files/presentations/Corporate_Governance_in_Abraaj.pdf).

109. International Labor Organization, "Conference Proceedings," (proceedings, National Conference on the Enabling Environment for Social Enterprise Development in South Africa, Johannesburg, October 22–23, 2009). [https://www.givengain.com/cause\\_data/images/2027/SA\\_social\\_enterprise\\_conference\\_Oct\\_09\\_proceedings\\_without\\_photos.pdf](https://www.givengain.com/cause_data/images/2027/SA_social_enterprise_conference_Oct_09_proceedings_without_photos.pdf).
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