

SOCIAL ENTREPRENEURSHIP IN LEBANON

THE SOCIAL ENTERPRISE QUALIFICATION MANUAL

August 2020

Important: This manual has been prepared by Beyond Group, as part of BADAEL project, based on the Social Entrepreneurship Qualification Model presented in this document, pending the elaboration and approval of the related law. Several details and elements related to legal aspects and governance require review and validation upon the finalization of the draft law.

This publication was developed by Beyond Group and funded by the European Union, through the EU Regional Trust Fund in response to the Syrian crisis, the EU MADAD Fund. Its contents are the sole responsibility of BADAEL consortium and do not necessarily reflect the views of the European Union.

TABLE OF CONTENTS

INTRODUCTION	4
Social Entrepreneurship Concept.....	4
Social Entrepreneurship in Lebanon.....	5
The Qualification Model.....	6
QUALIFICATION PROCESS	8
Process Elaboration	8
Eligibility.....	8
Years of Operation.....	8
DIMENSION 1 - SOCIAL IMPACT	9
1.1 - Social mission in bylaws.....	9
1.2 - Social Impact Measurement	10
1.3 - Employment of Disadvantaged People	15
DIMENSION 2 - GOVERNANCE	16
2.1 - Inclusion.....	16
2.2 - Decision Making	16
2.3 - Ownership	18
2.4 - Financial Reporting	18
2.5 - Online Transparency	20
DIMENSION 3 - SUSTAINABILITY	21
3.1 - Financial Self-Sufficiency	21
3.2 - Profit Distribution.....	22
DOCUMENTS CHECKLIST	25
REFERENCES.....	26
GLOSSARY	27
APPENDIX 1 - BYLAWS.....	28

INTRODUCTION

Lebanon is facing the worst political, economic, social and health crisis leaving major impact on communities across the country. In the limited government response, the space to fulfil these needs, existing and upcoming, have been left to the country's entrepreneurs, its active civil society, and the economic and livelihood development sector¹. Over the past few years, the challenges faced have been key incentives for social initiatives to arise in both urban and rural contexts where citizens aim at serving their community through solving its social problems, employing local citizens, and using local resources; especially amongst Lebanese youth claiming ownership of their own localities and actualizing their vision for a better country. Social entrepreneurship (SE) is emerging in this context, hence the need to clarify this concept and identify its potential rewards becomes essential. As it navigates through both profit and nonprofit spheres, SE proposes new organizational structures and operating procedures, hence it taps into uncharted territory in public policy.² While this innovation model is increasingly gaining traction in Lebanon and the Middle East, the presented opportunities for solving the pressing social, political, and environmental problems in this part of the world require a framework for establishing a common understanding of social initiative, success, and solidification.³

This manual serves as a practical guide for multiple stakeholders including, the governing entity who will assess and qualify the social enterprises, the social enterprises who wish to qualify, and for other stakeholders giving professional advice about social enterprises in Lebanon.

The document starts by introducing the concept of social entrepreneurship and its complexity, and the contextualized definition of it which was agreed upon by social enterprises and ecosystem actors in Lebanon. It continues by elaborating on the qualification model being chosen as a legal/policy option most suitable for the Lebanese context, with its associated three-layer matrix and qualification components. The essence of this manual is consequently presented through the qualification process which outlines the diverse qualification components, each with its associated criteria, while providing practical guidance to the process of meeting each criterion.

Social Entrepreneurship Concept

Social entrepreneurship is a relatively new concept yet an old practice that has emerged as a sustainable and effective means to address social and environmental issues. Social entrepreneurship is also a broad concept and does not have an official and set definition that satisfies different practices "because it does not sit neatly in the box, it sits across the spectrum."⁴ The absence of a unifying paradigm has led to a multiplication of definitions and notions of SE, in some cases influenced by geographical origins, approaches, and different schools of thoughts.⁵ This lack of consensus on the types of activities, services and/or products delivered by social enterprises (SEs) or the sectors in which they operate, makes it difficult to decide unanimously on one definition.⁶

Various scholars have been seeking in depth understanding and development of this concept, as well as the observation of the social element and the entrepreneurial element in its definitions. While proposed definitions are complementary as each one focuses on a different aspect of the phenomenon, the challenge still remains around building a comprehensive picture of social entrepreneurship and how it should be studied.⁷

To that, the need for a national consultation process presented itself to engage key stakeholders and collectively define social entrepreneurship within the Lebanese context and depict its related aspects and dimensions. The consultation process started in 2012 through a series of national conferences and later evolved into weekly national dialogues with more than 50 active stakeholders in the ecosystem, including social enterprises, public institutions, academic institutions, and support organizations. The conversations brought in international experts in addition to legal entities to better understand the regulatory space as well as lessons learnt around Social Entrepreneurship legal frameworks used around the world. The process continued with the development of the draft policy framework with consultations and consensus building to finalize the draft and present it to the Office of the Prime Minister in

¹ Beyond Reform & Development (BRD), 2018. The Lebanese Social Entrepreneurship Ecosystem – Mapping Report. Beirut – Lebanon. [unpublished work]

² Jamali, D. and Lanteri, A. eds., 2016. Social entrepreneurship in the Middle East (Vol. 1). Springer.

³ Jamali, D. and Kreidie, L., 2014. Social Entrepreneurship in the Arab World: Lessons from Lebanon. In Emerging Research Directions in Social Entrepreneurship (pp. 143-161). Springer, Dordrecht.

⁴ Krige K., 2016. The future is social entrepreneurship // TEDxJohannesburgSalon. [YouTube] 30 September Available at : <<https://www.youtube.com/watch?v=mx9MEuxoWn0>> [Accessed 29 June 2020].

⁵ Bacq, S. and Janssen, F., 2011. The multiple faces of social entrepreneurship: A review of definitional issues based on geographical and thematic criteria. *Entrepreneurship & Regional Development*, 23(5-6), pp.373-403.

⁶ Nnemeke, N.F., 2019. An elusive concept: the problem of defining social entrepreneurship. *Бизнес Информ*, (11 (502)).

⁷ Mair, J. and Marti, I., 2006. Social entrepreneurship research: A source of explanation, prediction, and delight. *Journal of world business*, 41(1), pp.36-44.

Lebanon for endorsement. The national endorsement meeting took place on July 24, 2019 and resulted in the initiation of the drafting of the law, the governance model as well as supporting documents to enable the development of the full educational and lobbying package for Social Entrepreneurship in Lebanon.

Social Entrepreneurship in Lebanon

Following the consultative process that was facilitated by Beyond Group with social entrepreneurship (SE) stakeholders and ecosystem actors in Lebanon, a policy framework for economic inclusion and social solidarity was proposed upon a detailed legal review and analysis of policy options for social entrepreneurship in Lebanon. The conversation has led to a consensus around a contextualized definition of social entrepreneurship in Lebanon:

Social entrepreneurship is defined as any phenomenon through which a collective group of citizens strive to solve their community's social and/or environmental problems innovatively and sustainably by using local resources to create products or services that generate revenue, with profit reinvested to scale up the social impact.⁸

Social innovation plays a major role in sustainable societal development and the reason why it is considered so is due to its potential of driving community-level activities as innovative niches taking different forms, such as social enterprises to cooperatives, farmers' markets, and community schemes,⁹ driven by social and environmental needs rather than profit and competitiveness in the market economy.¹⁰ This contributes to the promotion of inclusive governance models and empowerment of local communities.

A social enterprise can tackle needs and challenges present across several sectors, such as agriculture, climate, education, employment, energy, health, pollution, waste, water, and provide access to basic services within each. SE considers profit as a means to an end, with the essential provision that the venture is financially self-sustained¹¹ and profits are reinvested back into the community. It engages in a more balanced and sustainable way of using local resources while creating employment opportunities and favoring disadvantaged people.

A social enterprise can be viewed as a third-party government, meaning when the government and the social sector in partnership utilize the creation of grassroots initiatives as key catalysts and deliverers of the government's social policies, the government earns the advantage of directing and expanding social services without having to create new agencies.

Taking the above into account, a set of parameters that characterize social enterprises were identified during the consultation process, and were categorized under the following three dimensions:

SOCIAL ENTERPRISE DIMENSIONS



- The social outcome of the social enterprises:** as it looks at the social innovation and impact of a social enterprise within the social, economic, environmental, and cultural contexts of the country;
- The governance structure of the social enterprise:** as it looks at the inclusiveness, transparency and participation mechanism within the social enterprise.
- The sustainability of the social enterprise:** as it looks at the business model of a social enterprise to ensure its financial sustainability as well as how it makes use of natural and environmental resources.

⁸ Beyond Group and Oxfam, 2019. Social Entrepreneurship in Lebanon. A Proposed Policy Framework for Economic Inclusion & Social Solidarity. Beirut: Beyond Group and Oxfam.

⁹ Seyfang, G. and Smith, A., 2007. Grassroots innovations for sustainable development: Towards a new research and policy agenda. Environmental politics, 16(4), pp.584-603.

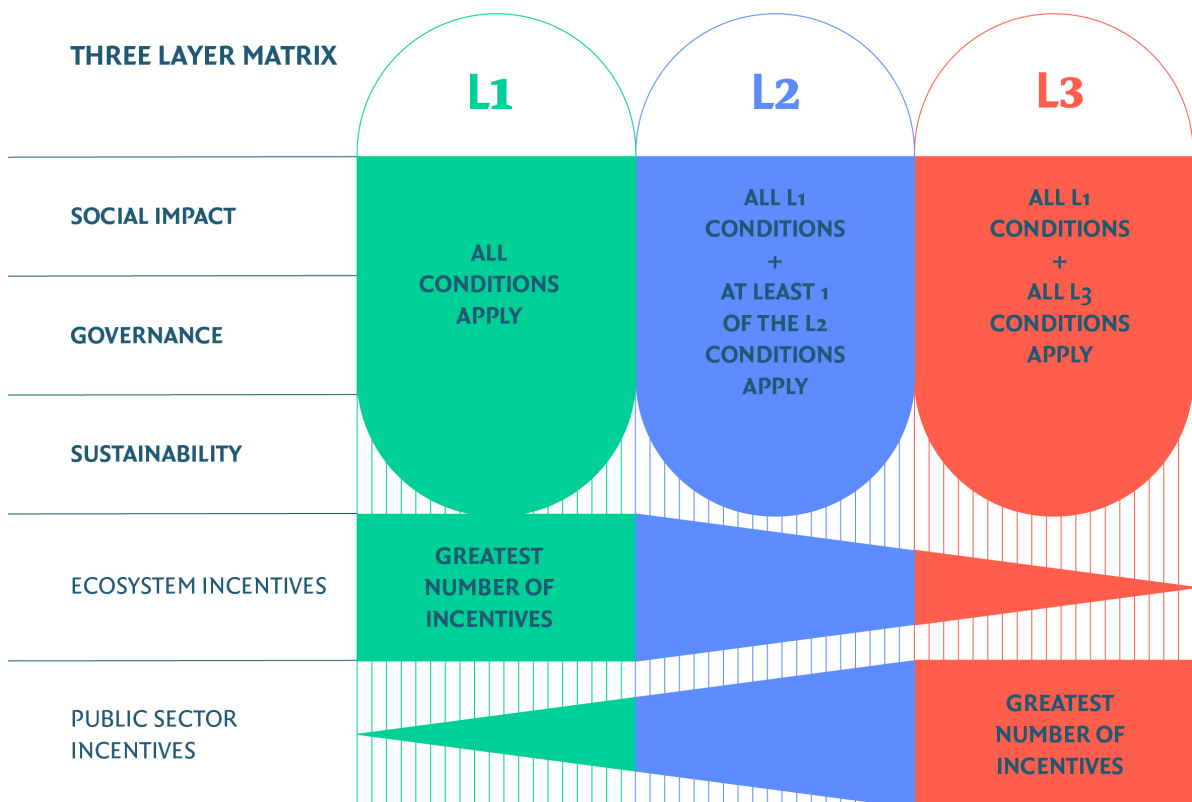
¹⁰ Ely, A., Fressoli, M. and Van Zwanenberg, P., 2017. New Innovation Approaches to Support the Implementation of the Sustainable Development Goals. UNCTAD. Available at: https://unctad.org/en/PublicationsLibrary/dtlstict2017d4_en.pdf [Accessed on 18 March 2020].

¹¹ Thompson, N., Kiefer, K. and York, J.G., 2011. Distinctions not dichotomies: Exploring social, sustainable, and environmental entrepreneurship. In Social and sustainable entrepreneurship (pp. 201-229). Emerald Group Publishing Limited.

The Qualification Model

While there is no specific legal form for social enterprises in Lebanon, social entrepreneurs use existing legal forms to set up their entity either as an NGO, a commercial enterprise or a cooperative. A detailed legal review of existing legal models in Lebanon demonstrated the lack of alignment related to the provisions specific to social enterprises, such as measurement of social impact and the institutionalization of mechanisms for inclusiveness, participation and accountability. Based on a thorough legal review of the possible policy options, the Qualification Model was found to be the best suited to social entrepreneurs in Lebanon, particularly since it would not exclude any of the already-existing social enterprises operating in Lebanon under different legal models, nor would it require that they re-register under a new model.

Diverse social enterprises find themselves at different stages of their organization's life cycle; that is why a three-layered matrix is suggested, taking into account nascent and aspiring social enterprises, as well as already-existing social enterprises that could perform better if they had more incentives to do so.



The three-layered matrix defines social enterprises based on criteria set as per the definition mentioned above: social impact, governance and sustainability. It sets basic requirements for social enterprises at level 1 (SEs L1). If the social enterprise fulfills additional conditions, it then moves into the higher qualification levels: the improved social enterprises (SEs L2) or a more impactful social enterprise (SEs L3).

Accordingly, the three-layered matrix outlines incentives to each of the three levels of qualifications, and therefore incentivizes social enterprises at these different levels, especially the more advanced one, to aim for higher levels of incentives, social impact and sustainability.

QUALIFICATION COMPONENTS		L1	L2	L3
YEARS OF OPERATION			Operating for a minimum of 2 years	
SOCIAL IMPACT	SOCIAL MISSION	Social Mission should be stated as the core objective within the bylaws		
	SOCIAL IMPACT MEASUREMENT	Social Impact Measurement & Reporting (within 2 years of qualification)		
	EMPLOYMENT OF DISADVANTAGED PEOPLE		5% Employing 5% of disadvantaged people	20% Employing 20% of disadvantaged people
INCLUSION	Signed and published non-discriminatory statement related to nationality, race, color, religion, gender, gender expression, age, disability, marital status, socio-economic status, etc.			
GOVERNANCE	DECISION MAKING			Mechanisms for participation of stakeholders and users in decision making in bylaws. [Commercial] Restrictions on majority ruling in decisions related to the core elements of the SE
	OWNERSHIP	Majority of shares not owned by existing commercial business		
	FINANCIAL REPORTING	[NGOs and Coops] Adopt the financial reporting mechanisms set for commercial businesses - Common financial reporting templates		
	ONLINE TRANSPARENCY	Publish Financial and Social Impact reports		
SUSTAINABILITY	FINANCIAL SELF-SUFFICIENCY	20% At least 20% of costs recovered through commercial activities	40% At least 40% of costs recovered through commercial activities	60% At least 60% of costs recovered through commercial activities
	PROFIT DISTRIBUTION	Maximum 50% of profit distributed	Maximum 30% of profit distributed	Maximum 15% of profit distributed
INCENTIVES				
ECOSYSTEM	<ul style="list-style-type: none"> ● Access to administrative support services from SE ecosystem ● Access to marketing channels through ecosystem ● Access to mentoring & coaching support through SE ecosystem ● Access to financing tools through SE ecosystem ● Access to a platform for SEs for networking & access to markets 	<ul style="list-style-type: none"> ● Access to international markets and partnerships 	<ul style="list-style-type: none"> ● Model Social Enterprise Award 	
PUBLIC	<ul style="list-style-type: none"> ● Reduced Incorporation cost ● Access to financial tools through Central Bank and others ● Tax exemption on grants 	<ul style="list-style-type: none"> ● Tax Incentives - No tax on profit if all is reinvested ● Tax incentives for Equity Investors [up to a ceiling] ● Access to international markets and partnerships ● Exemption on the 7.5% tax for freelancers ● National Social Security Fund (NSSF) fees subsidies 	<ul style="list-style-type: none"> ● Advantage in Public Social Procurement in priority sector 	

QUALIFICATION PROCESS

Process Elaboration

In the previous section, the three-layer matrix highlighted how social enterprises (SE) qualify across different levels based on three components: social impact, governance, and sustainability. Each of these components include a set of criteria that an SE needs to meet in order to earn a certain level of qualification.

It is important to note that a social enterprise standing at any stage of its life (early stage, startup stage, growth stage and dissemination stage) can entitle to any of the qualification levels as long as the underlying criteria are met.

Eligibility

To qualify as a social enterprise, the entity should be registered as one of the following forms¹²:

- Non-Governmental Organization (NGO)
- SARL (Society of/with limited responsibilities)
- SAL (Joint stock company)
- Partnership
- Sole Proprietorship
- Cooperation
- Civil company

Note that Offshore and Holding companies are not eligible to qualify as a social enterprise.

REQUIRED DOCUMENTS

- Registration papers

Years of Operation

The social enterprise needs to be operating for at least two years from official registration as a starting point for earning its Level 2 or Level 3 qualification.

A social enterprise registered for less than two years can only qualify for Level 1.

REQUIRED DOCUMENTS

- Registration papers

¹² This section needs to be reviewed upon finalization of the law.

DIMENSION 1 - SOCIAL IMPACT

The social impact dimension looks at the social innovation and impact of a social enterprise within the social, economic, environmental, and cultural contexts of the country. This includes stating the social mission in the bylaws, measuring and reporting the social impact, and eventually employing disadvantaged people within the social enterprise.

1.1 - Social mission in bylaws

A SOCIAL ENTERPRISE SHOULD HAVE ITS SOCIAL MISSION CLEARLY OUTLINED AND STATED IN ITS BYLAWS FOR EARNING LEVEL 1 QUALIFICATION. IT IS AN ESSENTIAL PREREQUISITE TO QUALIFY FOR LEVELS 2 AND 3.

WHAT IS A SOCIAL MISSION

Generally, organizations project their corporate philosophy through setting a mission statement (Swales and Rogers, 1995). This clearly articulated statement is meant to explain and popularize the organization's purpose, the reason why it exists, what it wishes to accomplish, what activities it will perform, where and for whom (Kirk and Beth Nolan, 2010). "A clear statement of a company's mission is essential to effectively establishing objectives, formulating strategies, setting goals, devising policies, allocating resources, and motivating employees" (Cochran et al., 2008, p.27).

The below outlines few examples of social missions adopted by social enterprises globally:

[Ashoka](#) identifies and supports the world's leading social entrepreneurs, learns from the patterns in their innovations, and mobilizes a global community that embraces these new frameworks to build an "everyone a changemaker world."

[GINA](#) is a UK social enterprise offering unparalleled opportunities for people affected by rape and sexual abuse to express themselves in a way that promotes freedom of choice through our unique products and events.

WHY IS IT IMPORTANT

A social mission in specific defines how a social enterprise engages with different stakeholders such as employees, customers, and others to address social challenges and needs, and connects the community to something bigger (Thompson, 2020). Setting and communicating a social mission demonstrates the business' level of dedication and commitment to the community, environment, and the general good (DeMers, 2016). Rosenblatt (2014) emphasizes that social missions move people beyond the economic stake and motivate users to willingly pay and partner with the organization in making the world a better place.

HOW TO IDENTIFY A SOCIAL MISSION

A set of questions is needed to explore whether a mission statement is social or not:

- 'Why' does this business exist? What is the social and/or environmental challenge addressed?
- 'Who' is it serving?
- 'How' does it engage with the people it serves?
- 'What' social impact does it envision?

The answers should clarify the purpose of an organization's existence or its 'raison d'être.' It reflects how this entity is working to make the world a better place while addressing a social or environmental challenge. The solution is one that is innovative, has a clear target audience or beneficiaries, and is conducted in accordance with sustainability principles at the level of practices and use of resources.

When it's put together, a social mission clearly states the need or challenge it addresses, followed by the way it is addressing it, and closing with the difference made as a result. It can be summarized into an equation that looks like: Need/issue (Why and Who) + How to address it (How) = Difference made (What).

To better relate and showcase the application of this equation, GINA's social mission can be dissected as per the following:

"GINA is a UK social enterprise offering unparalleled opportunities [...] through our unique products and events." this bit answers the 'How'

“for people affected by rape and sexual abuse” this part answers the ‘Who’

“to express themselves in a way that promotes freedom of choice” this last bit has the ‘Why’ and the ‘What’ jointly answered.

The social enterprise in review needs to submit an official copy of its registered bylaws to assess its clauses’ compliance with this criterion. The auditing body should look for the clause that clearly states the organization’s mission and identify its social aspect based on the process outlined above (*a suggested outline can be found in Appendix 1*).

As an example, the below was extracted from the Social Business Earth’s (SBE) website,¹³ a Swiss consulting and advisory service organization. SBE sets the example of publicly available bylaws which clearly state the firm’s purpose or social mission along with its social business model.

“Article 3 – Purpose

The company has the following objectives: promotion of social activities to help the disadvantaged due to poor physical, mental, economic and family conditions and the dissemination of the social business model. The social purpose is pursued through the following activities: the creation of social businesses; the organization of workshops and cultural events; the design, development and management of social businesses including consultancy and impact monitoring. The company may participate in other companies that serve the same purpose. The company does not aim to make profit.”

REQUIRED DOCUMENTS

- Bylaws

1.2 - Social Impact Measurement

A SOCIAL ENTERPRISE SHOULD MEASURE AND REPORT ON ITS SOCIAL IMPACT. THIS IS REQUIRED FOR LEVELS 2 AND 3. SES AT LEVEL 1 ARE REQUIRED TO REPORT WITHIN 2 YEARS OF QUALIFICATION.

WHAT IS SOCIAL IMPACT

The concept of social impact is primarily and directly related to the social value produced by organizations (Bassi, 2012). “Although any business can have a social impact, non-profit organizations and social enterprises are explicitly designed to create social value while addressing social challenges and are therefore expected to produce social impact” (OECD, 2015, p.3). According to Clifford (2014), social impact is defined based on four elements:

- the value created as a consequence of someone’s activity;
- the value experienced by beneficiaries and other affected people;
- an impact that includes positive and negative effects;
- an impact that is assessed against a benchmark of what the situation would have been without the proposed activity.

WHAT IS SOCIAL IMPACT MEASUREMENT

Social impact measurement and reporting is an organization’s practice of publicly communicating its economic, social, and environmental impacts.

As social enterprises mostly operate in a market economy, the earned income of organizations reflects the value perceived and generated by offered products and services. Usually, the associated social and environmental values are overlooked and difficult to observe, quantify, or measure. To that, social impact measurement came in as a way to understand how social businesses contribute to the economy, society, and environment.

Social entrepreneurs, employees, beneficiaries, volunteers, users, investors, public authorities, communities and other stakeholders need to understand whether a social initiative is realizing its promise and concretely achieving its desired change. To that, social impact measurement is the process through which a social entity is able to set, track, monitor, evaluate, and report on its activities’ effect on society. It helps with the understanding of how much social change occurred and can be associated with the organization’s activities.¹⁴ It also serves as an instrument of

¹³ Social Business Earth, <https://socialbusinessearth.org/sbe-bylaws/>

¹⁴ <https://www.sopact.com/social-impact-measurement>

information shared by external stakeholders keeping everyone well-informed, aligning key actors in goals and objectives, and reducing information asymmetries.¹⁵

WHY IS IT IMPORTANT

Social impact measurement allows social enterprises to demonstrate impact, improve organizational performance, and strengthen and secure strategic investments, hence it ensures the organization's future sustainability.

Given the critical role that social enterprises play in societies, all stakeholders prioritize understanding and measuring the impact of these organizations (beneficiaries or users, impact investors, public authorities...). These different types of stakeholders require proof of impact to validate their contribution to the existence of any social enterprise; whether through validating their purchasing behavior in case of users or their investment in case of impact investors.

Social impact measurement is not only used by social enterprises to gain legitimacy and credibility from their users and investors (public or private), but should also be utilized in guiding, setting and monitoring organizational goals and targets, and making better decisions for improved performance.

The key matter in this activity is being able to evaluate the progress made towards the realization of the social mission. It is thus important for social enterprises to set a clear social mission statement that would allow proper monitoring of an organization's effectiveness and consequently smoother social impact auditing practice. Austin et al. (2016, p.244)¹⁶ explain: "Outcomes, defined as observable measures of changes in the direct beneficiaries that provide evidence of mission attainment, should be what really counts."

Hence, this practice holds social enterprises accountable to themselves and their multiple stakeholders. It also allows increased transparency leading to better decision making, which helps building and maintaining trust in businesses and governments.¹⁷ Social impact measurement has been consequently translated into a key requirement in this proposed qualification manual under the Social Impact dimension as a binding practice for Lebanese social enterprises aiming for qualification.

WHY IS IT COMPLEX

Measuring social impact is a complex and not so straightforward task, and that is a widely recognized challenge. In practice, this often refers to measuring an abstract notion such as 'alleviating poverty' or 'ending violence,' which are hard to quantify and may require a long term to manifest themselves. This also creates an attribution challenge when a social enterprise is trying to understand and link its activities to the actual outcomes and limit the many factors that might have led to these same outcomes. In addition, social enterprises hold the responsibility of living up to the performance and accountability demands of multiple groups of stakeholders in the community, generally coming with diverse interests. Consequently, the rising need for establishing a social impact measurement framework has gained traction globally and is still to date forming a key research question and actual debate across the impact industry.

Thus far, identifying and quantifying key measures of the creation of impact is among the most complex challenges faced by social enterprises. Chapter two presents an overview of global social impact measurements practices along with a focus on three countries' governing process for the social entrepreneurship sector.

HOW TO MONITOR SOCIAL IMPACT

To ensure all impact dimensions of a social enterprise are being assessed, it is important to put a social impact framework in place allowing the inspection of an organization's practices, intended and unintended values generated and the redirection of overall impact into a more positive and desired economic, social and environmental contribution. This proposed framework gathers major learning around these best practices and provides process guidance with main principles and assessment criteria while allowing social enterprises to utilize diverse tools and approaches to impact measurement in relation to their stage of development.

The Social Impact Measurement Guide offers an overview of social impact measurement approaches and best practices, presents the proposed framework for the Lebanese ecosystem while outlining the guiding principles, defining the lifecycle of a social enterprise, and suggesting useful resources and tools for social enterprises to utilize while measuring their social impact.

¹⁵ Achleitner, A.K., Bassen, A., Roder, B. and Spiess-Knafl, W., 2009. *Reporting in Social Entrepreneurship*. SSRN [online] Available at https://www.researchgate.net/publication/228315520_Reporting_in_Social_Entrepreneurship [Accessed on 26 March 2020].

¹⁶ Austin, J.E., Gutierrez, R., Ogliastrì, E., Reficco, E. and Fischer, R.M., 2006. *Effective management of social enterprises: lessons from businesses and civil society organizations in Iberoamerica*; a collaborative research project of the Social Enterprise Knowledge Network.

¹⁷ <https://www.globalreporting.org/information/sustainability-reporting/Pages/default.aspx>

SOCIAL IMPACT MEASUREMENT FRAMEWORK

	People			Community			System		
	Expected	Indicator	Suggested Tool	Expected	Indicator	Suggested Tool	Expected	Indicator	Suggested Tool
Early Stage	What is the overarching social problem that the social enterprise is trying to solve and how?	Nature and magnitude of problem Population affected Proposed intervention	Theory of Change	Stakeholders' engagement	Stakeholders' needs addressed	Stakeholder Mapping Participation and engagement mechanisms <i>Refer to 'Decision Making' component under the 'Governance' dimension in the Qualification Matrix</i>	How will the proposed solution contribute to the SDGs?	Sustainable development goals and targets related to problem	
	What strategic objective(s) is the social enterprise trying to achieve and how will it do that?	Contribution to solution Strategies, activities and actions to be taken	Social Business Model Canvas Logic Model						

Startup Stage	What specific goals are going to enable the social enterprise to achieve its objectives?	Specific Measurable Attainable Relevant Timely	SMART tool	What are the expected outcomes and what is the logic behind these expectations?	Expected outcomes (short and long terms) + potential unintended consequences	Impact Value Chain			
	What are key impact indicators?	Aligned with mission Related to goals and objectives	IRIS+ Core Metric Sets GRI Standards	How is impact-related data going to be collected?	Developed impact measurement system and mechanisms	SE's SIM manual Standard Operating Procedures			
Growth Stage	What are the outputs generated?	Objectives translated into measurable outputs Realized change and its extent, to whom, in what	IRIS+ Global Value Exchange	What are the outcomes and impact generated?	Objectives translated into measurable outcomes Communal impact Contribution to community building	GRI Standards Cultural Change Impact Framework	What systemic change is the SE envisioning?	Expected systemic impact Contribution to ecosystem building	Total Impact Measurement and Management
	<p>At this stage, and across all impact levels, impact needs to be verified.</p> <p><u>Expected:</u> How is the impact verifiable? (verify if outcomes make sense, and if impact claimed is true)</p> <p><u>Indicators:</u> Do outcomes make sense? Is the claimed impact true?</p> <p><u>Suggested Tools:</u> Competitive analysis and qualitative and quantitative research methods (key informant interviews, focus groups, storytelling, surveys) + Randomized Control Trials</p>								

Dissemination Stage	What are the outputs generated?	Objectives translated into measurable outputs Realized change and its extent, to whom, in what	IRIS+ Global Value Exchange	What are the outcomes and impact generated?	Objectives translated into measurable outcomes Communal impact Contribution to community building	GRI Standards Cultural Change Impact Framework	What is the realized systemic change?	Legislation and policy making Actual contribution to SDGs	IRIS+ and the SDGs UN Business Call to Action
				How is the SE expanding its geographical and markets reach?	Geographical expansion (to other local regions/districts) Scalability + Potential replicability Access to new markets	Reports			

1.3 - Employment of Disadvantaged People

APPLICABLE TO SE L2 (OPTIONAL) AND L3 (REQUIRED)

IT IS NOT A REQUIREMENT FOR A SOCIAL ENTERPRISE TO HAVE EMPLOYED DISADVANTAGED PEOPLE AMONGST ITS STAFF TO QUALIFY FOR L1. AS IT AIMS TO GET TO LEVELS 2 AND 3, A SOCIAL ENTERPRISE IS REQUIRED TO HAVE DISADVANTAGED PEOPLE HIRED AT:

- 5% OF ITS TOTAL EMPLOYEES FOR L2;
- AND 20% OF ITS TOTAL EMPLOYEES FOR L3.

WHO ARE DISADVANTAGED PEOPLE

When employing the term 'disadvantaged people,' it is often referring to segments of communities which are socially excluded for different reasons. In article 2, clause 2 of the South Korean Social Enterprise Promotion Act,¹⁸ this term is defined as a "group of people who suffer hardships in purchasing needed social services at market prices or are confronted with particular difficulties in getting a job under ordinary conditions of the labor market.

According to UNDP,¹⁹ main vulnerable and marginalized groups consist of:

- disabled and mentally ill individuals;
- people over 50 years of age; (*can refer to the German initiative for post-retired individuals*)
- young people with low qualifications;
- young mothers with children;
- former prisoners;
- homeless people;
- immigrants;
- rural, poor, and ethnic minorities.

In addition, drug addicts and young workers from troubled families are considered as disadvantaged people.

Social enterprises aim to provide income-generating opportunities for unemployable people as they train them to become professional human resources and personnel²⁰.

The definition of 'Disadvantaged People' and vulnerability remains context specific and will depend on the governing entity's adopted definition. It is subject to regular revision.

WHY IS IT IMPORTANT

At the core of SEs' work is to serve the community and different vulnerable groups; to that, it is integral to have disadvantaged people take part in this action for change and fight against poverty and social exclusion. In a commitment to achieving sustainable development for all, social enterprises engage disadvantaged people across the organizations' lifecycle, from venture creation to operation, while generating employment opportunities and life-long learning experiences, and utilizing their capacities as they realize their full potential.

Hence, and in relation to the proposed qualification matrix, their employment becomes a fundamental criterion for a social enterprise to aspire for during initiation and to practice during growth.

REQUIRED DOCUMENTS

To get the figures of the employment of disadvantaged people by social enterprises, these organizations need to submit updated personnel reports including all human resources related information, along with their employment contracts.

¹⁸ <https://www.global-regulation.com/law/korea/644101/social-enterprise-promotion-act.html>

¹⁹ United Nations Development Programme (2008). Social enterprise: A new model for the poverty reduction and employment generation. Washington, DC: UNDP.

²⁰ Jung, K., Jang, H.S. and Seo, I., 2016. Government-driven social enterprises in South Korea: Lessons from the social enterprise promotion program in the Seoul Metropolitan Government. International Review of Administrative Sciences, 82(3), pp.598-616.

DIMENSION 2 - GOVERNANCE

The governance dimension looks at the inclusiveness, transparency and participation mechanism within the social enterprise. The latter entails the type of ownership, the decision-making process, the level of inclusion, as well as the financial reporting and the online transparency.

2.1 - Inclusion

A SOCIAL ENTERPRISE SHOULD SIGN AND PUBLISH A NON-DISCRIMINATORY STATEMENT ON THEIR RESPECTIVE ONLINE PLATFORMS AND IN THEIR BYLAWS.

WHAT IS INCLUSION

Inclusion is one of the fundamental principles of the Lebanese constitution (Preamble, article 7 and article 12) and reflects foundational Human rights and values. Inclusion means providing equal access to opportunities to all community groups, both in culture and laws, based on non-discriminatory principles related to nationality, race, color, religion, gender, gender expression, age, disability, marital status, socio economic status etc.

WHY IS IT IMPORTANT

Since the core of a social enterprise is its social mission, it is crucial for an SE to ensure a non-discriminatory approach that reflects its core values. Inclusion serves the social mission of the SE by expanding its impact. The degree of inclusion of a SE will also help measure the social impact within the SE itself.

IN PRACTICE

SEs L1, and consequently L2 and L3, are required to issue a non-discriminatory statement related to nationality, race, color, religion, gender, gender expression, age, disability, marital status, socio-economic status, etc., to ensure the inclusion of the most vulnerable groups of society. This statement should be included in their Bylaws and published on their respective official online platforms (website, social media, etc.).

In addition, the article 74 of the law 220/2000 that guarantees disabled people's right to work in the private sector, obligates private-sector employers who have at least 30 workers to employ disabled persons in accordance with specific ratios: one for a staff of 30 to 60 workers, or 3% for a staff of more than 60 workers. The SE has to comply with the article 74 of the law 220/2000 as well as it should officially ensure total inclusion of all community groups, both in culture and laws.

HOW TO VERIFY IT

Request the enterprise's bylaws and a link to the published statement on their online platform. Verify the following:

- Does the bylaw include a clause on non-discrimination reflecting the non-discriminatory statement above?
- Has the SE published on their official platform a non-discriminatory statement related to all of the following? Nationality, race, color, religion, gender, gender expression, age, disability, marital status, socio-economic status.
- Does the SE abide by Law 220/2000 and how?

2.2 - Decision Making

APPLICABLE TO SES L3 ONLY

A SOCIAL ENTERPRISE AT LEVEL 3 HAS TO ADOPT A DECISION-MAKING MECHANISM THAT ENSURES THE PARTICIPATION OF STAKEHOLDERS AND USERS. IN ADDITION, SE L3 REGISTERED AS COMMERCIAL COMPANIES HAVE TO SET RESTRICTIONS ON THE MAJORITY RULING IN DECISIONS RELATED TO THE CORE ELEMENTS OF THE SOCIAL ENTERPRISE.

WHAT IS DECISION MAKING AND WHY IS IT IMPORTANT

The decision making is the process of evaluating and choosing among multiple alternatives what will serve best the

company's interests and reflect its values. A social enterprise is impact centric and aims at serving the community. Its core values include inclusiveness and engagement of its beneficiaries and stakeholders. Therefore, a participatory decision-making process is vital to the effective governance of the SE as it will set the general approach and relationship between the decision-making body and the employees, as well as between the SE and its stakeholders and beneficiaries.

IN PRACTICE

In order to ensure inclusiveness and engagement in the decision making process, the social enterprise will have to include the active participation of stakeholders and users in the bylaws, and will have to describe the opted participative decision-making mechanism in the internal policies and procedures.

The participatory mechanisms are up to the SE to decide, however it should be clearly stated in the bylaw that the decision making process within the SE is engaging and participative and includes clear and inclusive selection processes and divisions of roles and responsibilities. In order to ensure the application of the latter, the SE should as well include in their internal policies and procedures, a detailed description of the opted engaging decision-making mechanisms targeting stakeholders and users.

These mechanisms are not set nor specified by this qualification manual, but they could take one of the following shapes:

Example of stakeholders' engagement (in bylaws and internal policies and procedures)

- The creation of a decision-making body with a clear selection process for members, based on their expertise and capacity to represent stakeholder interests.
Proof: Request minutes of meeting and CVs of all members of the decision-making body.
- Annual General Meeting (AGM) with Stakeholders (minimum of 5 stakeholders) with the purpose of discussing strategic planning and past performances.
Proof: Request minutes of meetings, pictures and signed attendance sheet.

Example of user engagement (in bylaws and internal policies and procedures)

- Incorporation of continuous feedback mechanisms (for example: regular online survey, door-to-door consultations etc.) that would result in clear actions and decisions.
Proof: Annual reports followed by an action plan and implementation plan (the implementation plan has to be documented in the next annual report).
- Creation of a community engagement department with the primary objective of engaging users through different activities (educational, awareness, engaging)
Proof: documentation of activities (pictures, report on overall activities that would include description and purpose of each activity, number of participants, signed attendance sheet, outreach methods, and outcomes on the SE's mission.)

In addition to the above, **social enterprises registered as commercial companies (for-profit)** will also have to ensure limitations and restrictions on the majority ruling decisions regarding the core elements of SEs, such as the mission statement, the governance and the financial model. Therefore, the bylaws should clearly state one of the following:

- A decision-making mechanism not based on capital ownership* and therefore, the voting process is defined as one head - one vote;
Or
- Decisions related to the three core elements of SE (mission statement, governance and financial model) can only be adopted by qualified majority ($\frac{2}{3}$ or $\frac{3}{4}$).

HOW TO VERIFY IT

Request Bylaws and internal policies and procedures.

SEs	What to look for within bylaws and internal policies and procedures
ALL SEs L3	<ul style="list-style-type: none"> • Is there a clear description of a democratic participatory and inclusive approach/mechanism for decision-making within the bylaws? Request documentation. • Is there a clear division of roles and responsibility for each body in the bylaws?

	<ul style="list-style-type: none"> • Are the decision-making processes described in the internal policies and procedures of the SE? • Are Stakeholders and Users at the core of the decision-making process within bylaws and the internal policies and procedures? Request documentation.
SEs L3 registered as commercial companies only	<ul style="list-style-type: none"> • Is there a clear clause that restricts and limits the decision-making power of the majority ruling of commercial companies regarding the three core elements of SEs (mission statement, governance and financial model) within bylaws?

2.3 - Ownership

THE TYPE OF OWNERSHIP HAS AN IMMEDIATE EFFECT ON THE GOVERNANCE OF THE SOCIAL ENTERPRISE. A SOCIAL ENTERPRISE HAS TO ENSURE THAT THE MAJORITY OF SHARES CAN NOT BE OWNED BY A COMMERCIAL BUSINESS.

WHAT IS OWNERSHIP

Ownership sets the primary structure of a company; it establishes the degree of responsibility, profit distribution as well as power repartition and decision making. There are many types of companies with various and specific ownership regulations, therefore the only eligible types of companies to become an SE are the ones specified in the introduction of this manual.

WHY IS IT IMPORTANT

Each type of company has its own specific set of regulations regarding the ownership of the company that directly affects the functioning, the decision-making process as well as the core values of the SE. Therefore, it is important to ensure within the bylaws of the SE specific regulations and limitations that would mitigate the risk of the SE being controlled or owned by a commercial company* whose core mission is to generate profit rather than impact.

IN PRACTICE

Social enterprises have to explicitly include in their bylaws the following principles:

- Commercial companies can *not* control* or/and own* the majority of shares of the social enterprise
- Commercial companies can *not* elect or/and appoint the majority of the decision-making body* even if they own shares.

Any type of ownership should reflect the above principle in their bylaws, ensuring that commercial companies can *not* own or represent the majority of shares of the social enterprise.

HOW TO VERIFY IT

Request bylaws and verify that a clause on ownership limitations and restrictions *for commercial companies* includes the following:

- Commercial companies can *not* own or control* the majority shares of the SE.
- Commercial companies can *not* control the SE.
- Commercial companies can *not* elect or appoint the majority of the decision-making body even if they own shares.

2.4 - Financial Reporting

FINANCIAL REPORTING IS COMMONLY REQUESTED FROM ALL BUSINESSES IN THE LEBANESE LAW TO THE EXCEPTION OF NON-PROFIT ORGANIZATIONS, HOWEVER THE REPORTS ON FINANCIALS IN THIS MANUAL CONCERNS ALL TYPES (FOR-PROFIT AND NON-PROFIT) OF SOCIAL ENTERPRISES.

WHAT IS FINANCIAL REPORTING

Financial reporting consists of the financial performance of an Enterprise over a specific period of time, and other information related to management and external stakeholders (e.g., investors, customers, regulators). A specific form of financial reporting is commonly requested for each type of company and usually consist of the following:

- A balance sheets
- A profit and loss account
- Notes to the accounts
- A cash flow statement

WHY IS IT IMPORTANT

A social enterprise aims to achieve self-sufficiency and independence from external funds in order to fulfill its social mission on a long term. The main mechanism that will help analyze, measure and determine the performance and sustainability of the social enterprise is financial reporting.

IN PRACTICE

Social enterprises are required to report on their financials through the standard Lebanese annual financial report. This report is mandatory for all eligible types of SEs. Even though it is not legally requested from non-governmental companies to submit a standard financial report, it is still requested within this Qualification Manual to submit the form 1ش as an addition to the form ج.

Each type of company is assigned a specific form of financial reporting:

- SARL (Society of/with limited responsibilities): form 1ش
- SAL (Joint stock company): form 1ش
- Non-Governmental companies: form ج and form 1ش
- Cooperatives: form ج and form 1ش
- Civil companies: form 1أ
- Partnership: Form 1أ
- Sole Proprietorship:
 - If real profit (الربح الحقيقي): form 2ف
 - If lump-sum profit (الربح المقطوع): form 1ف

HOW TO VERIFY IT

- Request a copy of the official Annual financial report submitted to the Lebanese ministry of finance.
- Verify that the form submitted is correspondent to the type of company (as mentioned above).

2.5 - Online Transparency

A SOCIAL ENTERPRISE SHOULD PUBLISH ITS FINANCIAL AND SOCIAL IMPACT REPORTS ON THEIR OFFICIAL ONLINE PLATFORMS.

WHY IS IT IMPORTANT

Online transparency characterizes good governance as well as it ensures accountability and liability towards the SE. Therefore, social enterprises are required to publish on their official online platforms their financial reports as well as their social impact report.

HOW TO VERIFY IT

- SE to provide its official online platform (official website or social media).
- Check if the financial report is published yearly on their respective indicated online platforms.
- Verify that the published financial report is compliant with the official financial report submitted to the Lebanese Ministry of Finance: ensure that the form submitted is compliant with the type of ownership (refer to previous section 'Financial reporting').
- Check if the Social Impact report is regularly published on their respective online platforms.

DIMENSION 3 - SUSTAINABILITY

The sustainability dimension looks at the business model of a social enterprise to ensure its financial sustainability as well as how it makes use of natural and environmental resources.

3.1 - Financial Self-Sufficiency

A SOCIAL ENTERPRISE SHOULD AIM AT REACHING A MINIMUM OF SELF-SUFFICIENCY. THE PERCENTAGE OF COSTS RECOVERED THROUGH COMMERCIAL ACTIVITIES DIFFERS AT EACH LEVEL: IT IS AT LEAST 20% FOR L1, 40% FOR L2 AND 60% FOR L3.

WHAT IS IT

Financial self-sufficiency is the ability for a social enterprise to generate sufficient income to cover all or a substantial portion of their costs. The social enterprise's revenue model can be diverse to sustain operations. Social enterprises can aim to reach partial self-sufficiency, where earned income covers a portion of operating expenses, to full self-sufficiency, where earned income covers all operating expenses.

The financial self-sufficiency of an enterprise is represented by the percentage of costs recovered through commercial activities. This percentage varies depending on the business model of the social enterprises as well as its maturity. Startups tend to have a low-cost recovery percentage, while mature SEs are able to reach higher or full cost recovery.

WHY IS IT IMPORTANT

Distinguished by their bottom line - social and financial - social enterprises aim to reach partial or full cost recovery in order to reduce the dependency on external funding, and become financially sustainable and thus viable. Being self-sufficient also means that a social enterprise can fulfill its social objectives in the long term.

REQUIRED DOCUMENTS

Official annual financial reports submitted to the ministry of finance:

Enterprise Type	Document Number	Document Name
SAL SARL	ش1	تصريح ضريبة الدخل لشركات الأموال
NGOs Cooperatives	ج	تصريح المؤسسات المستثناة من ضريبة الدخل من غير الشركات
Civil companies Partnerships	أ1	تصريح ضريبة الدخل لشركات الأشخاص
Sole proprietorship	If real profit - الربح الحقيقي ف2	تصريح ضريبة الدخل للمؤسسات الفردية
	If lump-sum profit - الربح المقطوع ف1	تصريح شخصي - ضريبة الدخل

HOW TO MEASURE IT

The percentage of cost recovery is calculated as follows: **% cost recovery = operational costs / revenues.**

The **operational costs** are all expenses associated with the administration and maintenance of a business on a day-to-day basis. The total operating cost for a company includes the cost of goods sold, operating expenses as well as overhead expenses.

The **revenue** is the income generated from commercial activities and **excludes grants, funds, donations, loans, subsidies from parent organizations, etc.**

The percentage is set according to the level of the social enterprise:

Level	L1	L2	L3
% costs recovered through commercial activities	At least 20%	At least 40%	At least 60%

To find the information needed to calculate the %cost recovery:

Enterprise Type	Document	Statement	Operational costs	Revenues
SAL SARL	ش1	حساب النتيجة ش12	page 1/2, line 310: إجمالي أعباء الاستثمار (غير المالية)	page 2/2, line 250: إجمالي إيرادات الاستثمار (غير المالية)
NGOs Cooperatives	ج	بيان بإيرادات ونفقات الدورة المالية ج16	line 600: إجمالي الأعباء	إيرادات اشتراكات 610 lines + إيرادات أخرى 630
Civil companies Partnerships	أ1	حساب النتيجة أ12	page 1/2, line 310: إجمالي أعباء الاستثمار (غير المالية)	page 2/2, line 250: إجمالي إيرادات الاستثمار (غير المالية)
Sole proprietorship	If real profit - الربح الحقيقي ف2	حساب النتيجة ف12	page 1/2, line 310: إجمالي أعباء الاستثمار (غير المالية)	page 2/2, line 250: إجمالي إيرادات الاستثمار (غير المالية)
	If lump-sum profit - الربح المقطوع ف1	بيان بإيرادات ونفقات المؤسسة/المهنة ف3	line 330: إجمالي الأعباء والمصاريف	line 94: مجموع الإيرادات

3.2 - Profit Distribution

A SOCIAL ENTERPRISE SHOULD ONLY DISTRIBUTE ALL OR PART OF ITS PROFIT, AND REINVEST THE REST TO SUSTAIN AND SCALE UP ITS SOCIAL IMPACT. THE PERCENTAGE OF PROFIT DISTRIBUTION VARIES AT EACH LEVEL: L1 ARE EXPECTED TO DISTRIBUTE A MAXIMUM OF 50% OF THE PROFIT, L2 A MAXIMUM OF 30%, AND L3 A MAXIMUM OF 15%.

WHAT IS IT

In commercial enterprises, profit distribution is the allocation of profits to different recipients such as shareholders and owners. In traditional philanthropies, any excess in income is directed towards the organization's mission activities. In social enterprises, income or profit may be reinvested and/or redistributed, depending on its legal status and the enterprise's strategy. If a social enterprise is registered as not-for-profit, where profit-distribution is not legally possible, all surplus is reinvested in its activities and/or retained for the enterprise's growth and development. If a social enterprise is registered as for-profit, it may redistribute only a portion of its profit. A minimum percentage of profit distribution is required per level.

WHY IS IT IMPORTANT

Limiting profit distribution is important to ensure the primacy of the social mission, to reduce the risk of mission drift, and to avoid profit-maximizing behavior. At the same time, it enables social enterprises to make use of the surplus to scale their social impact, compete with commercial businesses in the market and increase their effectiveness.

REQUIRED DOCUMENTS

Enterprise Type	Documents
SAL SARL	<ul style="list-style-type: none"> Financial report 1ش Minutes of meeting of the board of directors 6 months planning for profit reinvestment Proof after 6 months
NGOs Cooperatives Civil companies	<ul style="list-style-type: none"> 6 months planning for income reinvestment Proof after 6 months
Partnerships	<ul style="list-style-type: none"> Financial report 1أ 6 months planning for income reinvestment Proof after 6 months
Sole proprietorship - Real profit	<ul style="list-style-type: none"> Financial report 2ف 6 months planning for income reinvestment Proof after 6 months
Sole proprietorship - Lump-sum profit	<ul style="list-style-type: none"> Financial report 1ف Statement of account for the partners 6 months planning for income reinvestment Proof after 6 months

HOW TO MEASURE IT

The percentage of profit distribution is calculated as follows: **%profit distribution = amount distributed / profit.**

To find the information needed:

Enterprise Type	Document	Statement	Profit	Amount distributed/ withdrawn
SAL SARL	1ش	الميزانية العمومية ش11 page 2/2	line 660, column 7 النتيجة الصافية للدورة المالية الحالية	line 650, column 8 + line 660, column 8 – line 650, column 7 or نتائج سابقة مدورة عن الدورة المالية السابقة + النتيجة الصافية للدورة المالية الحالية – نتائج سابقة مدورة عن الدورة المالية الحالية
NGOs, Cooperatives, Civil companies	Profit distribution is legally not allowed, which means the percentage is always 0%			
Partnerships	1أ	الميزانية العمومية أ11	page 2, line 660, column 7 النتيجة الصافية للدورة المالية الحالية	(page 1, line 500, column 5 - page 2, line 710, column 7) – (page 1, line 500, column 6 - page 2, line 710, column 8)
Sole	If real profit - الربح	الميزانية العمومية ف11	line 660, column 7	

proprietorship	الحقيقي ف2	page 2/2	النتيجة الصافية للدورة المالية الحالية	
		ميزان المراجعة العام ف15 page 4/8		(line 451/1 (مدينة) - line 451/2 (دائنة), column الدورة الحالية، الأرصدة - (line 451/1 (مدينة) - line 451/2 (دائنة), column الدورة السابقة)
	If lump-sum profit - الربح المقطوع ف1 & Statement of account	بيان بإيرادات ونفقات المؤسسة/المهنة ف3	مجموع الإيرادات 94 line - إجمالي الأعباء 330 line والمصاريف	Ask for Partners statement of account to check withdrawals for the current year

The percentage is set according to the level of the social enterprise:

Level	L1	L2	L3
% profit distribution	maximum 50%	maximum 30%	maximum 15%

Also, the social enterprise should present the plan for profit reinvestment in the next 6 months.

After 6 months, all enterprises should send a proof of spending. These should match the reinvestment plan.

DOCUMENTS CHECKLIST

The table below summarizes the documents required per qualification level and per enterprise type:

		L1	L2	L3
Required	Common for all types of SEs	<ul style="list-style-type: none"> Registration papers Bylaws Social Impact Report [within two years of qualification] Link to the SE online platform 6 months planning for profit reinvestment 		<ul style="list-style-type: none"> Personnel report and employment contracts Internal policies & procedures
	SAL SARL	<ul style="list-style-type: none"> Official Annual Financial Report 1ش Minutes of meeting of the board of directors 		
	NGOs Coops	<ul style="list-style-type: none"> Official Annual Financial Report ج 		
	Civil companies Partnerships	<ul style="list-style-type: none"> Official Annual Financial Report 1أ 		
	Sole proprietorship - Real profit	<ul style="list-style-type: none"> Official Annual Financial Report 2ف 		
	Sole proprietorship - Lump-sum profit	<ul style="list-style-type: none"> Official Annual Financial Report 1ف Statement of account for the partners 		
	Optional (as additional condition for L2)			<ul style="list-style-type: none"> Personnel report and employment contracts

At level 1, social enterprises should present all required documents common for all types of SEs, in addition to the specific documents required per enterprise type.

At level 2, social enterprises should present all the documents required at level 1. In case the additional condition that they want to fulfill is the employment of disadvantaged people, social enterprises should also present their personnel report and employment contracts.

At level 3, social enterprises should present all the documents required at level 1, in addition to the documents required at level 3.

REFERENCES

- Bassi, A., 2012. How to measure the intangibles? Towards a system of indicators (SAVE) for the measurement of the performance of social enterprises. In *Challenge social innovation* (pp. 325-350). Springer, Berlin, Heidelberg.
- Clifford, J., 2014. Impact Evaluation by Social Enterprises: Measuring the un-measurable?. In 10th annual meeting of the OECD LEED forum on partnerships and local development, Stockholm.
- Cochran, D.S., David, F.R. and Gibson, C.K., 2008. A framework for developing an effective mission statement. *Journal of Business strategies*, 25(2), pp.27-39.
- DeMers, J., 2016. How to Define and Implement a Social Mission for Your Business. *Entrepreneur Middle East*. [online] Available at: <https://www.entrepreneur.com/article/276563> [Accessed on 10 March 2020].
- Dolan, K., 2017. Incorporating Social Mission – Options for Social Entrepreneurs. *Perlman+Perlman*. [online] Available at: <https://www.perlmanandperlman.com/incorporating-social-mission-options-for-social-entrepreneurs/> [Accessed on 10 March 2020].
- Gillan, S., Hartzell, J.C. and Starks, L.T., 2003. Explaining corporate governance: Boards, bylaws, and charter provisions. *Weinberg center for corporate governance working paper*, (2003-03).
- Kirk, G. and Beth Nolan, S., 2010. Nonprofit mission statement focus and financial performance. *Nonprofit Management and Leadership*, 20(4), pp.473-490.
- OECD, 2015. Policy Brief on Social Impact Measurement for Social Enterprises.
- Rosenblatt, G., 2014. Mission Statement Definition: Linking Customer Mission and Social Mission. *The Vital Edge*. [online] Available at: <https://www.the-vital-edge.com/mission-statement-definition-synergy/> [Accessed on 10 March 2020].
- Swales, J.M. and Rogers, P.S., 1995. Discourse and the projection of corporate culture: The mission statement. *Discourse & Society*, 6(2), pp.223-242.
- Thompson, A.B., 2020. Developing a Social Mission. *Brand Citizenship*. [online] Available at: <https://www.brandcitizenship.com/develop-a-social-mission/> [Accessed on 10 March 2020].
- Williams, O.M., 1989. Bylaws: the laws (rules) for everyday organizations. The Center for Volunteer Development, Virginia Tech. [online] Available at https://vtechworks.lib.vt.edu/bitstream/handle/10919/24622/VCE_1989_Bylaws_The_laws_for_everyday_org.pdf?sequence=1 [Accessed 27 August 2020]
- Alter, S., 2003. *Social Enterprise*. Washington, D.C.: Inter-American Development Bank. <https://books.google.com.lb/books?id=UdF5DwAAQBAJ&dq>
- Defourny, J. and Nyssens, M., 2012. The EMES Approach of Social Enterprise in a Comparative Perspective. EMES European Research Network. http://www.emes.net/site/wp-content/uploads/EMES-WP-12-03_Defourny-Nyssens.pdf

GLOSSARY

Beneficiaries: the people, communities, broader society and environment that a social enterprise seeks to reach through its activities.

Innovation: Innovation means coming up with new ways of doing things (products, services, models, etc.). One can change processes or create more effective products and ideas.

Commercial company: a company that follows normal accepted business practices and operates in order to make profit.

Control: a) The ownership, possession or control (directly or indirectly) of more than 50% (fifty per cent.) of the interests in any relevant undertaking; and
b) The ability to direct, or cause for the direction of more than 50% (fifty per cent.) of the voting or direction powers of any relevant undertaking on all, or substantially all, matters (whether through the corporate bodies or committees of such relevant undertaking or not).

Controlling shares: Controlling Shares means the block of shares that ensure, directly or indirectly, to the holder(s), the individual and/or joint exercise of Power of Control in the Company.

Owning shares / shareholders: A share is a unit of ownership delivered by a capital company. In other words, being a shareholder – means that you own a part of the company's capital, but you are not held personally liable for the company's debts. A shareholder is entitled to the right to dividend payment, the right to vote and the right to information.

Stakeholders: A person, group or organization that has interest or concern in an organization. Stakeholders can affect or be affected by the organization's actions, objectives and policies. Some examples of key stakeholders are creditors, directors, employees, government (and its agencies), owners (shareholders), suppliers, unions, and the community from which the business draws its resources.

Sustainability principles: Sustainability in business generally addresses two main categories: the effect business has on the environment, and the effect it has on society. The goal of a sustainable business strategy is to make a positive impact on either one of those areas. When companies fail to assume responsibility, the opposite can happen, leading to issues like environmental degradation, inequality, and social injustice.

User: one who consumes or employs a good or service to obtain a benefit or to solve a problem, and who may or may not be the actual purchaser of the item.

APPENDIX 1 - BYLAWS

Williams (1989, p.1) defined bylaws as “laws (rules) by which members of an organization have agreed to be governed.” According to Gillan et al. (2003), bylaws are a firm’s corporate set of rules and procedures under which it operates, creating a major set of internal governance mechanisms. An organization’s bylaws generally contain rules that are grouped under broad headings referred to as articles (Williams, 1989), which outline:

- the official name of the organization;
- its objective or purpose;
- requirements for memberships;
- designations to titles, responsibilities, election, and terms of office;
- appointment of regular and annual meetings;
- rules relating to the Board of Directors and Executive Board;
- rules relating to committees (establishment, composition, and duties);
- rules on conducting business, also called parliamentary authority exercised by the organization; and
- bylaws amendment procedures.