



Al Urdun Al Jadid Research Center Launches the Corporate Social Responsibility Project in the MENA Region

Regional CSR Experts Meeting in Amman Sets the Working Agenda for the Year 2005 - 2006

On Wednesday the 29th of June 2005 Al Urdun Al Jadid Research Center (UJRC) held the MDF5 Experts Meetings titled "Private Sector Reform in the Middle East and North Africa: Strengthening Responsible Corporate Citizenships in the Businesses of the Region."

The meeting took place in the Meridian Hotel where participants gathered and discussed possible ways and paths as to promote and implement Corporate Social Responsibility. Participants from Jordan, Morocco, Lebanon, Egypt, Turkey and UAE attended the meeting and each gave a different and fresh outlook to the subject of Corporate Social Responsibility in their respective countries.

The meeting acted as a launch pad for establishing a local and regional network promoting the understanding and implementations of Corporate Social Responsibility in the businesses of the Middle East and North Africa Region.

Mr. Mufleh Aqel (President the Association Banks in Jordan) chaired the opening ceremony and was complemented by three keynote speakers Mr. Hani Hourani General Director of Al Urdun Al Jadid Research Center (UJRC) and HE. Mr. Thabet Al Taher; Director General of Abdel Hamid Shoman Foundation, Vice President of Jordanian Businessmen Association and finally Dr. Khalil Elian the Project Coordinator delivered the concept note on the project.

The second leg of the meeting was chaired by Dr. Yousef Mansour; Director General. (JAED) where by revision to the agenda of the three regional workshops took place and dealt with possible researcher nominations and research topics. (cont'd p.2)



Opening Ceremony left to Right: Khalil Elian, Mufleh Aqel, Thabet Al Taher, Hani Hourani

The Jordanian Forum for Economic Development (JFED)



is a platform for economic dialogue that was launched by Al-Urdun Al-Jadid Research Center (UJRC) in 1998. JFED organizes discussion groups, conferences, symposiums, and brainstorming sessions to discuss pressing economic issues and policies. It also contributes to modernizing economic concepts by encouraging research and publishing reports and information on economic and developmental issues, and by building a bridge that links Arab and international economists. JFED also has an economic library and database. It seeks to build a bridge to exchange expertise with similar programs for the use of organizations, as well as labour and decision making institutions in the private sector of the world in general and the Arab World in particular.

The Economic Policy Dialogue

"The Economic Policy Dialogue" newsletter is published on behalf of the Jordanian Forum for Economic Development (JFED). The newsletter is a monthly publication, which deals with local and global economic topics and introduces the forums activities, dialogues and initiatives.

From time to time the newsletter is dedicated to certain topics of interest by publishing various articles, studies and research papers written by professional and specialists in their fields.

The newsletter has succeeded in the past in bridging debates between the government, private sector, business organizations, academic, economic institutes and press which further enriches the local economic interest and experience.

The Jordanian Forum for Economic Development

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The last and final leg of the meeting was chaired by Mr. Fawaz Shalan (Member of Board of Directors, The Jordanian Resources Corporation) followed by a presentation from Mr. Alexander Zalami. Executive Director of the Dubai Ethics Resource Center (DERC).

Also were presentation by the experts from Turkey, Morocco, Lebanon and Egypt where by Mrs. Melsa Ararat (Director of Corporate Governance Forum of Turkey, Member of the Advisory Board of CSR Turkey Association) and Mr. Ceyhun Gocenoglu (General Secretary of CSR Association in Turkey Project Executive of Zed Turizm PCO) represented Turkey.

From Morocco there was Mr. Anas El Hasnaoui from Espace Associatif and Mr. Abdeslam Abouddrar from CGEM. From Lebanon there was Mr. Khalil Gebara Co-Executive of the Lebanese Transparency Association and Mr. Badri El Meouchi Co-Executive Director of the Lebanese Transparency Association and finally Mrs. Nihal Magdy El Megharbel, Senior Economist, The Egyptian Center for Economic Studies (ECES) represented Egypt.

The mentioned experts gave brief introductions to CSR practices in their home countries, as well various representa-

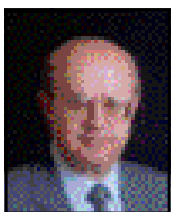
tives from Jordanian Businesses Attended the meeting.

This project was held within the framework of the fifth Mediterranean Development Forum (MDF5), the forum that was launched in 1997 as an embodiment of partnership between research centers in the countries of the region and the World Bank and UNDP.

The meeting offers a platform for dialogue between intellectual groups, think tanks, governmental organizations, representatives of the private sector and governments, on policies related to development. Every MDF event calls for reform and change in the Middle East and North Africa and acts as a theatre for candid discussions on important and new development-related issues. Moreover, they contributed to launching and supporting new development networks both on the local and regional scale.

Following in this newsletter is the Project Concept Paper on Corporate Social Responsibility, a paper by Mr. Khalil Elian explaining the theoretical concept of Corporate Social Responsibility and finally a paper presented by the Mr. Hani Hourani titled "Corporate Social Responsibility in the Arab World."

Participants at the Amman Experts Meeting 29th June 2005



Jordan

Thabet Al Taher :
General Director, Abdell Hamid Shoman Foundation.
Vice-President, Jordanian Businessmen Association.



Hani Hourani:
Director General.
Al Urdun Al Jadid Research Center



Mufleh Aqel:
President, Association of Banks in Jordan



Yousef Mansour :
Director General, JAED



Fawaz Shalan:
Member of Board of Directors, The Jordanian Resources (Mawared).



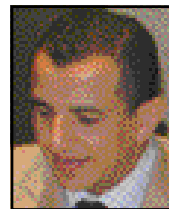
Raghda Butros:
Corporate Social Responsibility Manger, Aramex



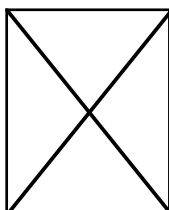
Ahmed Al Sa'adi:
Representative, Amman Chamber of Industry:



Abdeslam Abouddrar :
General Secretary,
Caisse de Depot et de Gestion.



Anas El Hasnaoui :
Former Secretary General,
Espace Associatif.

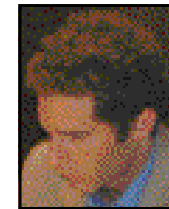


Nihal Magdy :
Senior Economist, The Egyptian Center for Economic Studies (ECES)



Lebanon

Khalil Gebara:
Co-Executive Director ,
Lebanese Transparency Association



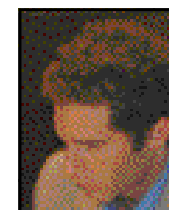
Badri El Meouchi :
Co-Executive Director,
Lebanese Transparency Association



Alexander Zalami:
Executive Director, Dubai Ethics Resource Center



Melsa Ararat :
Director of Corporate Governance Forum of Turkey.
Member of the Advisory Board of CSR Turkey Association



Hikmet Ceyhun Gocenoglu :
General Secretary of CSR Association in Turkey.
Project Executive of Zed Turizm

Morocco

UAE

Egypt

Turkey

UJRC'S Concept Note On: Strengthening Responsible Corporate Citizenship in the Businesses of the Region

Within the framework of the fifth Mediterranean Development Forum (MDF5) Al Urdun Al Jadid Research Center (UJRC) has taken on the following initiative to foster and enhance Corporate Social Responsibility (CSR) in the MENA Region.

This project aims at introducing CSR and CSR practices in the businesses of the region as a way to reform the private sector's dynamics and structure. The project also seeks to establish a series of local and regional network acting as monitoring and awareness agents of Corporate Social Responsibility practices in the region.

1. Introduction:

During the past two decades, the poor economic performance of the economies of the Middle East and North Africa showed that the region was in need of major reforms. The private sector especially was a key target of reforms since it was expected to be a key vehicle for the region's economic development. At the same time, efforts were also made to provide a more appropriate investment environment especially for foreign investors and to encourage the private sector in the various countries of the region to invest both locally and regionally.

Much has been achieved throughout the region especially where legislation is concerned: regional economies are opening up, government services are being improved, investment processes are being simplified and transparency and accountability are being encouraged. However, institutional reform is no longer confined to governments. In the past few years, it has encompassed monetary markets, investment houses, companies and businesses. The private sector is playing a leading, innovative and creative role in the whole process. A new generation of young businesspersons has stepped up to take a more active part in establishing a new business environment in the region. This necessitates major changes in the business culture and in the business practices that currently prevail in the region to enable it to better cope with the region's immersion in the global economy.

In particular, businesses of the region are called on to become good corporate citizens; to adopt ethical and legal frameworks that ultimately facilitate economic growth and enhance political stability. Nowadays, corporations of the world are not solely concerned with maximizing their profits: they are regarded by others (and regard themselves) as social entities whose responsibilities exceed the provision of goods and/or services to consumers. Their obligations also include honesty, openness and transparency towards employees and consumers, a commitment to sustainable social and environmental development through social action, such as charitable donations and non-profit projects and activities to benefit society.

This component of private sector reform has been somewhat neglected in the region, although transparency and trustworthiness, for example, are in many ways corporate assets and complement the openness of markets. A need exists in the MENA region to raise awareness of corporate citizenship and better business practices as a complement to pri-

private sector reform. Without an adequate understanding of its social responsibilities and without an enhanced commitment to the communities and countries of the region, the private sector cannot be a full partner in the region's development, nor will it be able to fulfill its own potential.

2- Why is responsible corporate citizenship a basic requirement for the MENA region?

In facing the challenges of globalization, we realized that globalization has redefined the rules of competition, the behavior of markets and the way of doing business in general. Responsible corporate citizenship is part of the new global business culture and it is required behavior.

The main principle of good corporate citizenship is that private companies and institutions should have a sense of social responsibility towards local communities, clients and consumers. They should adhere to the standards expected from them by the general public on such issues as the environment, health, labor rights, and productivity standards. Good corporate citizenship is defined by a willingness to transmit know-how, to create a corruption-free business environment, to be open to society, to uphold and respect democratic principles, respect the law, and participate in building institutions of good governance.

Corporate citizenship is not an alien concept: it has historical roots in the MENA region. We can find examples of good corporate citizenship in many countries of the region; Egypt, Jordan, Lebanon, the Gulf States Morocco, Iran, etc., where the profit imperative is tempered by religious belief and ethical values. But these practices and their utility are heretofore undocumented. Our duty at this stage is two-fold: to research and document good practices in the past and present eras and to build upon these traditions to realize corporate citizenship in the MENA region that meets the standards of the new global business culture.

Al Urdun Al Jadid Research Center (UJRC) and its partner, MDF5, along with international organizations and other teams in the region will carry out the project for "Private Sector Reform in the Middle East and North Africa: Strengthening Responsible Corporate Citizenship". This is the way to strengthen the partnership with the private sector and to develop the region.

The underlying premise of this project is to demonstrate to the private sector that social commitments do not consume profits, but in fact are long-term investments that benefit private sector corporations and society over time in myriad ways.

3. The Aims:

1- To create consensus and awareness of the centrality of the private sector's own leadership in establishing a responsible corporate citizenship regime. This will increase investors' trust in the markets and will enable the private sector to play a leading role in the development of the country and the region and in their economic processes.

2- To contribute to the development of a regional business culture based on transparency, democratic administration and corporate citizenship. This will enable the private sector to play its role as a partner in national and regional development.

3- To develop and launch a regional initiative to build a network for responsible corporate citizenship, which would include national and regional institutions and international organizations working towards the enhancement of social responsibility.

4- The Proposed Programmatic Approach:

This project will be carried out in four phases:

Phase One: Experts consultations

1- A team of experts from the region and from outside it will be formed. They will be called the "Expert Group" and they will be chosen by the UJRC based on discussions with and on the agreement of the member organizations of MDF and other related organizations.

2- This team will host a one-day workshop to identify how private sector reform is being handled and what else can be added to the current debate on corporate citizenship relative to the MENA region. It will identify the questions that have not yet been answered and the initiatives and suggestions that can enhance what has already been done. It will also list best practices that can be adopted in this field.

3- Chosen topics will be suggested for case studies to be carried out and several researchers and experts will be assigned to undertake these studies, the results of which will be presented at workshops at the regional level.

The researchers and experts who will prepare the studies and workshop papers will be chosen from various countries

and an array of sectors with proper attention being paid to age and gender.

Phase Two: Regional Workshops

The "Expert Group" will meet with other participants in the region (economists, private sector leaders, other experts from the region and from abroad) in three regional workshops in order to discuss the Phase One case studies. The workshops will be held on a regional or on a sub-regional basis and/or on a topic basis.

Each workshop will discuss several case studies and will conclude with evaluations, summaries and recommendations. The researchers and experts will then revise their papers according to the discussions that have taken place and will prepare the final version of each case study, which will be discussed at MDF5. Case studies will be distributed electronically and in paper form and will be placed on MDF5's website for general discussion before the MDF5 conference is held at the end of 2005.

Phase Three: MDF5

In this phase, the case studies will be presented as background papers for the discussions at the workshop, which will be held in the framework of the forum. The workshop, will concentrate on discussing specific selected issues, which will form a future work agenda in the following fields:

- The state of the corporate citizenship in the region: new practices, lessons to be drawn; new initiatives as well as new agenda issues.
- Private sector associations and organizations: new roles and responsibilities
- Companies' social and community commitments: towards a regional network to enhance corporate citizenship in the MENA region.

Phase Four: Post MDF5

The various contacts set up during the project will be maintained after MDF5 through a network that will be set up within the framework of the project. Information will be exchanged amongst its members and with other experts through an electronic bulletin, which will be set up for this purpose and which will be run by the UJRC's website.

Project Time Line

1. Expert Meeting: 29th of June 2005. Amman, Jordan

2. Three Regional Workshops:

There will be the meetings of the Three Regional Workshops on CSR in Amman, Cairo and Casablanca during August through December 2005:

- * **Early September 2005:** First Regional workshop to be held in Casablanca, Morocco. (Workshop date TBA)
- * **November 2005:** Second Regional Workshop to be held in Cairo, Egypt. (Workshop date TBA)
- * **December 2005:** Third Regional Workshop to be held in Amman, Jordan. (Workshop date TBA)
- * **Early 2006:** MDF5 Conference (Date & Location TBA)

3. Project Publications

UJRC will dedicate a special series of its newsletter "The Economical Policies Dialogue" following the Experts Meeting and the three upcoming regional workshops. The newsletter intends to highlight the events, achievements, participants and

any relevant studies presented at the meeting and the workshop and will be released at the following dates:

- * **July 2005 Edition:** To cover the Conceptual Framework behind the project and the Experts Meeting that took place in Amman on the 29th of June 2005.
- * **October 2005 Edition:** To cover the previous activities of the project and the First Regional Workshop to be held in Casablanca, Morocco.
- * **December 2005 Edition:** To cover the previous activities of the project and the Second Regional Workshop to be held in Cairo, Egypt.
- * **January 2006 Edition:** To cover the previous activities of the project and the Third Regional Workshops to be held in Amman, Jordan.
- The Country Case Studies will be published in a book and distributed prior to the MDF5 Conference.
- Following the MDF5 conference UJRC will publish the forum proceeding in a book late 2006.

Corporate Social Responsibility (CSR) A Theoretical Background

Dr. Khalil Elian*

I. Introduction

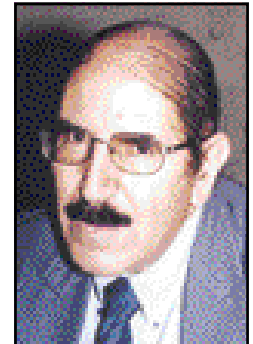
Due to the fact that the corporate social responsibility is a relatively new topic that got its momentum in the last decade and that its concepts, definitions characteristics, features, and scope of areas covered by the topic corporate social responsibility are still vague; this paper is to discuss the theoretical background of the corporate social responsibility which includes the various definitions, fields, concepts, benefits, legal, political and economic justifications and environments.

Moreover, this paper is to shed the light on the principles and understanding of the CSR at the national, regional and international levels besides reviewing the abstracts of different studies, schemes or programs dealing with the topic of corporate social responsibility. Furthermore, this paper will also focus on the beneficiaries of the corporate social responsibility programs.

This paper is supposed to give answers to the question whether CSR stems from voluntary will of the corporations or from certain regulations and obligations imposed on the company internally or externally or both.

The paper is to clarify the importance of CSR for businesses and to discuss the recent developments in the area of CSR, besides the clarification on whether the companies have special policies and standards toward implementing the SCR and whether there should be a sizable resources that could be committed to the implementation of the programs of the CSR in a particular country.

Hence, the organizational structure of this study is composed of the following sections: (i) Introduction. (ii) Definitions & Concepts of SCR. (iii) Recent Development and Initiatives in the field of Corporate Social Responsibility. (iv) The Driving Forces Behind the Implementation of CSR. (v) Benefits and Burdens of corporate social responsibility Programs. (vi) Standards and Strategies of CSR Implementation. (vii) Targeted groups & Activities of the CSR. (viii) Incentives offered for Corporations with best CSR practices. (ix) Conclusions and bibliography.



Dr. Khalil Elian

II. Definitions and Concepts of Corporate Social Responsibility

Although there is no single, commonly accepted definition of the corporate social responsibility, it generally refers to business decision-making linked to ethical values, compliance with legal requirements, and respect for people, communities and the environment. Hence, CSR is defined as operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that a society has of business.

The concept of the "Responsible Corporate Citizenship" has emerged recently in countries such as the United States of America and elsewhere, to denote that the business corporations should become good corporate citizens and contribute to the well being of other citizens in the country and not solely concerned with maximizing the profit according to the economic theory of the firm. On the contrary, corporations under the new phenomenon have become as social entities whose responsibilities exceed the provision of goods and services to consumer, the obligations of the business corporations also include honesty, openness and transparency towards employees and other stakeholders, a commitment to sustainable social environmental development through social actions, such as charitable donations and non-profit projects and activities that benefit the society at large (Al-Urdun Al-Jadeed Research Centre : 2005)

CSR is a matter of ethics for business organizations as corporate social responsibility becomes a moral issue that call for solidarity towards the community and society, which should accompany corporate activity and operations.

CSR is seen as more than a collection discrete practices or

occasional gestures, or initiatives motivated by the marketing, public relations or other business benefits. Thus, CSR is viewed as a comprehensive set of policies, practices and programs that are integrated throughout business operations and decision-making processes that are supported and rewarded by top management. Nonprofit organizations work to support businesses in their endeavors to implement CSR. (www.bsr.org : 2002)

Corporate social responsibility in many countries has become a part of the corporate mission, vision and philosophy of several business organizations.

III. Recent Development and Initiatives in the Field of Corporate Social Responsibility

Over the last decade, a growing number of companies have recognized the



CDG New Sletter Quarterly :
"Corporate Social Responsibility of the CDG Group"

business benefits of CSR policies and practices. Their experiences are bolstered by the growing body of empirical studies which demonstrate that CSR has a positive impact on business economic performance and is not harmful to shareholders values and the companies also have been encouraged to adopt or expand CSR efforts as the result of pressures from customers, suppliers, employees, communities, investors, activist organizations and other stakeholders. As a result, CSR has grown dramatically in recent years with companies of all sizes and sectors developing innovative strategies.

The literature review shows that the corporate social responsibility becomes a fundamental component of the total quality management (TQM) of the corporate as it is a part of the corporate good quality management to provide the consumers and clients with the best, healthy, clean and satisfactory products and services with the least cost (Okali, 2000)

In developing countries as well as in developed countries, there are many initiatives to reform the private sector and to promote transparency and trustworthiness as corporate assets that complement the free market economy. However, there still a need to raise the awareness of corporate citizenship and corporate social responsibility as an ingredient that should accompany the private sector reform. Without an adequate understanding of social responsibility and without an enhanced commitment to the communities of the region, the private sector cannot be a full partner in the region development or to fulfill its own potential.

In the era of globalization, responsible corporate citizenship becomes an essential part of the new global businesses culture and a requirement of its behavior. There are new attempts in many countries to build a network of for responsible corporate citizenship, which would include national, regional and international organizations working for the enhancement of social responsibility.

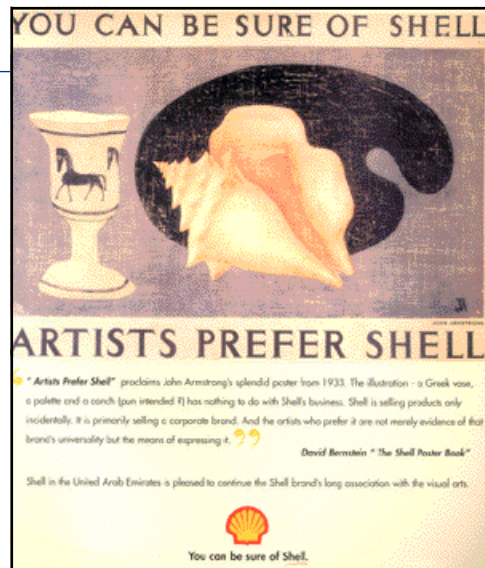
In the MENA region, the corporate social responsibility is not an alien concept; it has historical roots in the region, as the corporate achieving extra ordinary utility and profits are not welcomed due to the religious belief and ethical values that prohibit exploitation.

According to BSR White Paper on Business for Social Responsibility (2002) the growth of corporate social responsibility as an issue in modern society stems from the following wide range of events and trends:

- Changing Expectations of Stakeholders Regarding Business.
- Shrinking role of the Government.
- Increased Customer Interest.
- Supply Chain Responsibility.
- Growing Investor Pressure.
- More Competitive Labor Market.
- Demand for Increased Disclosure.
- New and Emerging Issues.

The following external standards or initiatives are to cover more aspects of corporate social responsibility:

- The Global Reporting Initiative (GRI) that was established since 1971 to prepare enterprises-level sustainability and environmental indicators (www.globalreporting.org/AboutGRI/index.htm).
- The Global Sullivan Principles: introduced in 1999 as a voluntary code of conduct for companies.



Shell Supports Visual arts project in the UAE

- Social Accountability 8000: which is a standard that specifies requirements for social accountability (<http://www.cepaa.org>).
- The Caux Round Table (CRT), which promotes principled business leadership and the belief that business, has crucial role in promoting sustainable and equitable social, and economic environment (<http://www.cauxroundtable>).
- The Interfaith Center on Corporate Responsibility (ICCR), which is comprised of 275 religious oriented solutions for publishing principles for global corporate responsibility.
- The Sunshine Standards for Corporate Reporting To Stockholders, established in Washington, DC in 1966, which is an association of individuals and organization from environmental, consumers and religious organizations that provide information on corporate report to stakeholders.
- The Keidanren Charter for Good Corporate Behavior, which is a Japanese Federation of Economic Organization that promote fair competition and to follow the criterion of corporate behavior.

Finally, a new trend of CSR has emerged which makes it as a part of the social commitments of corporate citizenship regime, which is based on the phenomenon that corporations in a country should be partner to sustainable development.

IV. The Driving Forces Behind the Implementation of CSR

Business corporations are not free to apply corporate social responsibility towards stakeholder and to the community at large, because nowadays either it is a voluntary activity originated in the ethical responsibility of the firms or it is a requirement by national and international laws and regulations. Thus, corporate social responsibility is not merely a charity; it is a social and ethical obligation towards other.

One of the driving forces behind enhancing corporate social responsibility (CSR) and corporate citizenship and better social business practices is the fact CSR has become an integral part and a complement to private sector reform as without an adequate understanding of the corporate social responsibility and without enhanced commitment to the communities of the region, the private sectors establishments can not be a full partner in development, nor they will be able to fulfill their own potentials.

The economic dimension, the role of the state and the legal requirement, the cultural characteristics of the society are endogenous drivers for corporate social responsibility behavior of the corporations in a country while the international organiza-

tions and donor may be considered as exogenous driving forces behind the CSR. (Ararat Melsa: 2004).

V. Benefits & Burden of Corporate Social Responsibility Programs

The basic assumption is that the private sector corporate social commitments do not consume profits, but in fact contributions to corporate social responsibility are long-term investments that benefit private sector corporations and society over time in different ways. Hence, CSR improve the image of the business corporations in the eyes of the citizens.

CSR is not a burden on the business corporate, as it will have a long-term return on the company in form of good reputation, good public confidence and creating friendly atmosphere towards the company. Hence, corporate social responsibility has become a long-term investment in customers, local community, shareholders, employees, suppliers, lenders, natural environment, leading to the provision of clean and healthy products, clean environment, loyal employees and good credibility and trustworthiness with shareholders and other stakeholders.

The benefits of corporate citizenship programs may include the following: (BSR: 2002)

- Improved Finance Performance
- Reduced operating costs.
- Enhanced Brand Image and Reputation.
- Increased Sales and Customer Loyalty.
- Increased Productivity and Quality.
- Increased Ability to Attract and Retain Employees.
- Reduced Regulatory Oversight.
- Access to Capital.

VI. Standards and Strategies of CSR Implementation.

The main principles of good corporate citizenship are that private companies and institutions should have a sense of social responsibility towards local communities, clients and consumers.

Companies should adhere to the standards expected from them by the general public on such issues as the environment, health, labor rights, and productivity standards expected from them by general public.

Good corporate citizenship is defined by a willingness to transmit know-how, to create a corruption free business environment, to be open to society, to uphold and respect democratic principles, respect the law, and participate in building institutions of good governance.

The main principle of good corporate citizenship is that private companies and institutions should have a sense of social responsibility towards local communities, clients and consumers. They should adhere to the standards expected from them by the general public on such issues as the environment, health, labor rights, and productivity standards. Good corporate citizenship is to be open to society, to uphold and respect democratic principles, respect the law and participate in building institutions of good governance.

Companies' key strategies of implementing CSR are: (BSR White Paper: 2002)

- Including CSR in the Mission, Vision and Values Statement of the Corporation.
- Integrating the CSR principles in their organization culture values.
- CSR is included in the Corporate Governance rules of a corporation.
- CSR is an Executive Management Responsibility.
- Corporate Social Responsibility is a part of the Strategic Planning of a Corporation.
- CSR is placed under general accountability of the corporation.
- Corporate Social Responsibility is integrated within the communication, education and training programs of the corporation.
- CSR is included within the employee recognition and rewards.
- Social and environmental auditing and reporting cover corporate Social Responsibility.

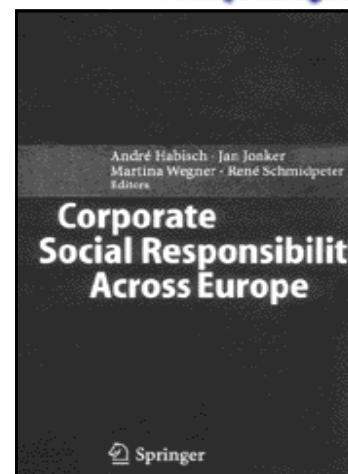
VII. Targeted groups & Aspects of Social Corporate Responsibility

We may classify the contribution of establishments in terms of corporate social responsibility according to the following stakeholders:

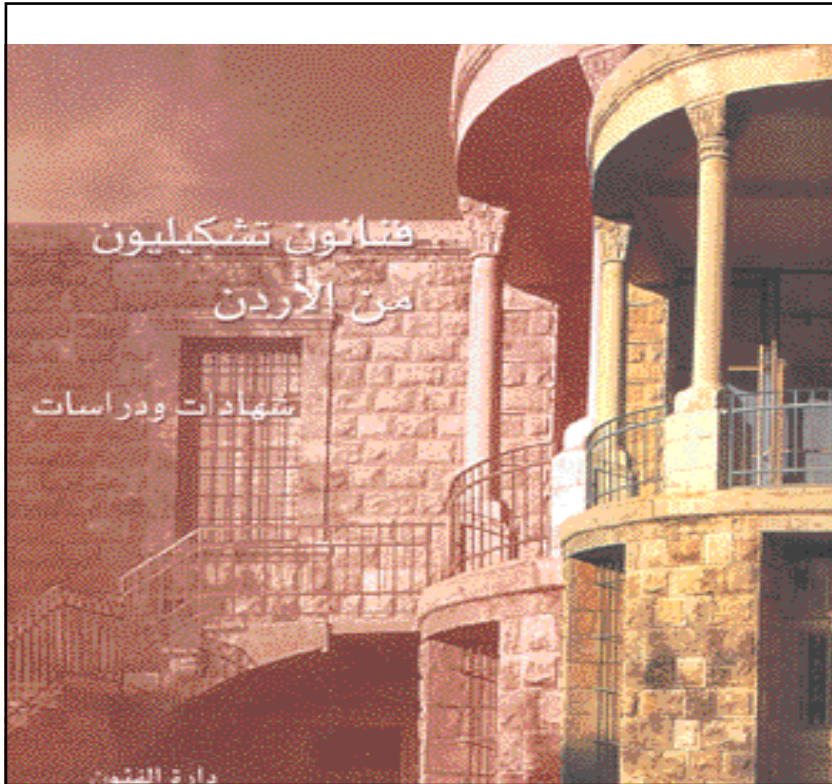
- Customers.
- Employees.
- Local community
- Non-government Organizations and other civil societies.
- Stockholders
- Suppliers
- Lenders
- Community at large

However, such a contribution of companies toward CSR may be classified according to the types of activity, which are:

- Cultural activities such as support of publishing of books, financing exhibitions, and establishing or helping libraries.
- Donations for NGOs to finance needy people.
- Educational activities such as donations for poor students, establishing laboratories, and financing the establishment of new faculties.
- Supporting public health programs and compensating individuals for any hurt as a result of corporation's operations.
- Environmental activities through keeping a clean environment and fighting pollution.



European CSR Experience book
published in 2004



Darat Al Funun established with the support of the Arab Bank and recently affiliated with Khaled Shoman Foundation

- Be careful not to exhaust exploiting national resources of the country and keep an eye on sustainable development for future generations.
- To provide the consumers with clean and healthy products and good quality services at minimum costs.
- To be considerable to the shareholders rights particularly small shareholders.
- To help the community at large in case of natural or social catastrophes
- Provision of playgrounds, kindergarten, parks and other public infrastructure for the benefit of children, women and old people.
- Providing food, milk and other substances for needy people particularly in national occasions such as Ramadan and the Independence Day.

VIII. Incentives Offered for Corporations with best CSR Practices

In recent years there are growing number of awards and incentives in the area of corporate social responsibility in order to encourage local and foreign establishments to play more role in strengthening their own social responsibility programs, such as the following:

- Government could give tax exemption or at least to take the corporate donation as an expense to be deducted from taxable income.
- To provide certain awards for the companies with best practices in the area of CSR.
- Publish the name of the best corporation in the field of corporate social responsibility.
- Benefiting from the Award of Excellence of His Majesty King Abdullah II in encouraging competition among the corporations in Jordan in the field of Corporate Social Responsibility.

IX. Conclusions

The area of corporate social responsibility still needs more clarifications, more research and more in depth studies besides more workshops, symposiums and conference to tackle the pertinent issues relating to CSR.

Although there is no single, commonly accepted definition of the corporate social responsibility, it generally refers to business decision-making linked to ethical values, compliance with legal requirements, and respect for people, communities and the environment. Hence, CSR is defined as operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations

Nowadays, the activities of CSR in many countries are getting importance and priority of transferring corporations into partners of development, where the royal vision of King Abdullah II, UNDP and other international organizations have called for.

CSR is not a burden on the business corporations, as CSR will have a long-term return on the company in form of good reputation, good public confidence and creating friendly atmosphere towards the company. Hence, corporate social responsibility has become a long-term investment in customers, local community, shareholders, employees, suppliers, lenders, natural environment, leading to the provision of clean and healthy products, clean environment, loyal employees and good credibility and trustworthiness with shareholders and other stakeholders.

In order to promote the activities of the companies towards corporate social responsibilities, there should a campaign for more awareness, more transparency, more disclosure and published reports on the activities and donations of the corporations in term of their social responsibilities.

For the sake of putting CSR in its appropriate institutional framework, there should more written rules and procedures in the area of corporate social responsibility.

Furthermore, there should be a committee in each corporation to work under the board of director for the sake of taking care of the social responsibility and good citizenship.

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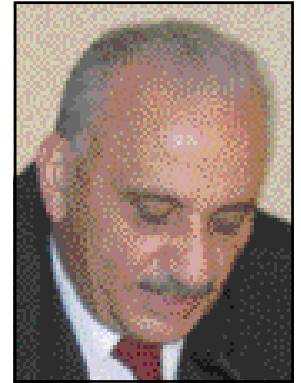
Corporate Social Responsibility in the Arab World

Hani Hourani*

Introduction:

The private sector in the Arab world during the past few years has exhibited a strong response to the international economic transformations which now require from companies and entrepreneurs to play expanded roles in the development of their countries, indeed, to play leading roles in changing the economies of the regions into advanced economies, which are diversified and competitive.

With the expanding responsibility of the private sector in the countries of the region, the idea embedded in the notion of social corporate responsibility is becoming more widespread, namely, that companies do not emerge solely for purposes of increased profits, and that they are not purely economic institutions but are likewise social institutions. The notion that the responsibility of good companies transcends just offering goods and services to the consumers is gaining circulation; rather, it relates also to the relationship of the company with the local market and the consumers and also to the openness and transparency of the company, indeed, its wish and commitment to building a better society, which is something that may be the difference between the success or failure of the business sector in all societies.



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The question presents itself: why is it that the social responsibility of companies has become significant in the Arab world, and why must we strengthen our efforts to expand its scope and to deepen our understanding of it, and to build Euro-Mediterranean and Middle Eastern cooperation in order to endow corporate social responsibility with strategic dimensions which go to the heart of the policies particular to the business sector and not merely a reaction to an international orientation or to incidental pressures.

It should be said that the social responsibility of companies has historical roots in the region. In fact, there are numerous examples of the presence of entrepreneurs in various Arab countries, who founded their companies and managed their businesses by recognizing their responsibilities towards their societies, and indeed, they had ambitions to play a role that transcended merely realizing profits and the creation of wealth with the aim of developing industries that have social and cultural importance.

However, the social responsibility of companies in the Arab world is important for reasons related to the region, and not just due to the changes sweeping the business environment on the international level, however important these changes are.

First: The prevailing tendency to empower the private sector to play a leading role, and to encourage the younger generations from among young entrepreneurs to play a greater role in forming the business environment in the region has necessitated, and still does, the effecting of important changes on the cultural level and insofar as the practices of the business sector. Among those reforms is the improvement of corporate governance and private institutions, including family-owned businesses, and to upgrade their regulations, procedures and methods of management whereby they become more transparent and amenable to accountability. On the other hand, the leadership roles assumed by the private sector on the economic front has meant other responsibilities, which are of a social nature. The social responsibilities of companies then are part of a larger matrix relating to sound management of companies and to the necessary ethical and professional norms for building competitive, effective and responsible institutions.

Second : social responsibility in the countries of the region is a collective responsibility, and the private sector bears its share on this front, alongside the government, civil society, and other public institutions such as the municipalities, universities, religious institutions and other organizations operating in each country.

In other words, social responsibility is not confined to the private sector. Moreover it is not a burden determined by other parties that is placed on the shoulders of the companies, or that is demanded of them irrespective of their financial position and economic performance. As we have previously pointed out social responsibility is a common responsibility for society as a whole, and this signifies the sharing of social responsibility actualized by virtue of general national consensus. The objective is to achieve a collaborative society for resisting the problems of development and the issues of poverty and unemployment, and to attain prosperous economies that are advanced and competitive.

Third : There exists a need for a regional vision pertaining to corporate social responsibility and to integrate regional and international cooperation within the process of building an effective strategy relating to social responsibility on the regional level.

There are national and regional initiatives for the achievement of



Mosaic Mural placed in one of Amman's main street with Support of the Jordan National Bank

economic reforms, and in the course of the preceding two years the West has shown strong support for those initiatives. Indeed, the private sector is called upon to contribute its share to drawing up and implementing the reform and change programs in the region. Putting into effect common programs in the arena of social responsibility in the countries of the region under the leadership of the private sector, and with the support of development funds in the region, and that of the UN and Euro-Mediterranean partnership, will contribute to building an effective network for solidarity and cooperation in the field of social responsibility in order to face the consequences of wars and military confrontations and regional conflicts- so as to confront common environmental, social, educational and cultural problems through common effort.

The companies and private sector institutions in each of the region's countries, and on the level of the region as a whole, are today an effective partner, and there is a general recognition on the part of the region's governments of their leading role. In fact, the necessary groundwork for playing such role has been laid by dint of a large number of legislation, regulations and directives, which aim to liberalize the economies of the region and to overcome the impediments to investment and to create a business environment that is both propitious and positive.

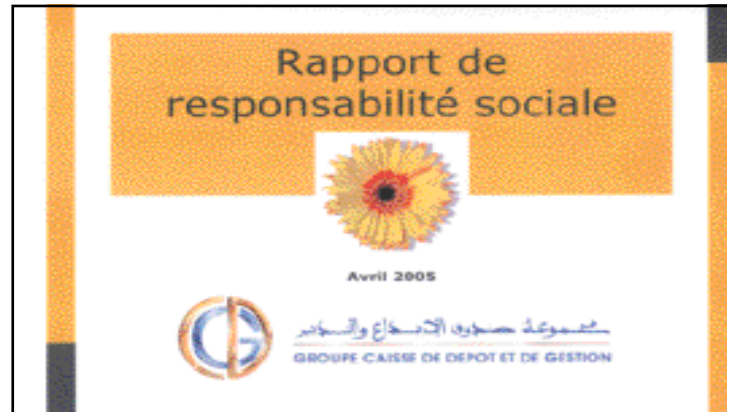
Hence, current efforts should perhaps focus on private sector reforms on the level of its institutions, and organizational structures, and to also focus on, in an equal measure of importance, on the building of leadership capacities of the private sector, and to reinforce the culture of good corporate governance and to instill the principles of the national belonging of companies or their sense of social responsibility.

Finally, we must say that the efforts for raising awareness and attaining better practices on the level of corporate social responsibility in the Arab world, will not start from zero, but should rather be based on past actions and accomplishments, which may not be ignored.

Local and Regional Experiences

In almost every Arab country there exist entrepreneurial initiatives and innovative attempts that embody corporate social responsibility. In Jordan, for instance, some major banks such as the Arab Bank have established large cultural institutions such as the Abdul Hamid Shoman Foundation, which contributes to patronizing and organizing cultural activities and to founding libraries in needy regions. Likewise, other banks such as Al-Ahli Jordan Bank patronize the establishment of museums for old Arab coins, and art paintings in public places, and supports the publication of books and cultural works. The Jordan Kuwait Bank has designed signs for large public bus stops- and spreading them in the streets of Amman. Also, some telecommunication companies have built bridges for pedestrians. As for Khaled Shoman Foundation, it patronizes the activities of Darat Al-Funun, which is a diverse cultural complex for visual and plastic arts; and banks and major companies patronize sports activities or activities related to the protection of the environment, and programs for the purpose of helping the disabled, and to providing some scholarships (grants) for needy students enrolled in universities; the Islamic Jordan Bank helps in funding programs for group weddings.

The above-mentioned contributions of companies are recurrent in most Arab countries, and there exist innovative initiatives, and significant socially responsible corporate activity in Lebanon, Egypt, Morocco, and Tunisia and in a number of Gulf countries.



CSR Report of the Moroccan CDG Institute

On the other hand, a number of programs and private projects are being implemented in order to reinforce corporate social responsibility in a number of Arab countries, in cooperation with the United Nations or European governments or other international agencies. For example, and not exclusively:

- The UNDP in Egypt (and perhaps in other Arab countries) is implementing the Global Compact project. The said project issues a periodical, and there exist varied activities to introduce the CSR and Corporate Voluntarism programs.

- In the previous year the CSR program was established in Lebanon with support from the Prince of Wales Foundation/Britain, and in cooperation with the British Council in Beirut. Moreover, a Lebanese council for social responsibility was formed.

- The fourth Mediterranean Development Forum (MDF4) organized a workshop in Amman, October 2002, in cooperation with a Turkish institution named TESEV, through which representatives of Turkish companies introduced their initiatives in the arena of social responsibility. Moreover, MDF5 will organize in the course of (2005) a workshop on "Private sector reforms in the Middle East and North Africa", which will emphasize the national belonging of companies and business association in the countries of the region.

Finally, it ought to be mentioned that Dubai embraced in April 2004 a major international meeting on corporate social responsibility, which was patronized by major international companies, and in the course of which the challenges and applications particular to corporate social responsibility were discussed, alongside their positive impact on business and the markets. Moreover, it discussed the international agreed upon norms and principles and their possible applicability, locally and regionally.

These are merely examples of the practices and discussions ongoing in the region. No doubt, there are also other examples that transcend what was previously mentioned on the activities and similar programs which have taken place- and are currently taking place- in other countries of the region. Nevertheless, what is intended here is that any future plans for strengthening corporate social responsibility in the Arab world, or on Arab-European cooperation in this field will not emanate from a vacuum, but will rather be based on the efforts exerted in the past, and which are currently being exerted, and in collaboration with partners in the region.

Conclusions and Synopses:

Finally, I refer here to some of the urgent tasks, which must be taken into account when discussing future plans in respect of the social responsibility of companies, among which:

- The first task which must be attempted is to attain a uniform

procedural definition through which we may present corporate social responsibility in the Arab world. In this region, we need not reinvent the wheel. However, we may still be required to place the Arab world in the big picture of social discussion or discourse, and how it reflects the interactions of varied environments and cultures with the various applications of socially responsible companies. Moreover, it is required of us to place this concept within a cultural/ civilizational framework of the Arab/Islamic world, namely, the institution of Islamic Waqf (religious endowment), and to authenticate it through tangible examples from the history and practices of the region. In other words, ahead of us is the task of raising awareness of socially responsible companies through the varied international experiences, and through tangible examples from the region.

- The specific message which must be clearly sent to the region, and through the institutions of the region, is that the companies of the future, to the same extent that they must produce added value for shareholders, they must also achieve added social value. The social responsibility of companies (or the national belonging-patriotism- of companies) is not necessarily a burden on them, but is rather, as has been proven by tangible experiences and examples from diverse cultures and experiences, economically feasible and leads to the realization of profits for the socially responsible companies.

- The second message is that there exists an important difference between charitable acts, or the support given to charitable activities, and likewise, between activities relating to public relations or "image improvement" and the social responsibility of the companies which must constitute an integral part of the business philosophy of contemporary companies. In other words, the social responsibility of companies may not be summarized in terms of sporadic, incidental and unplanned actions, which are dedicated to serving the community, such as donations and charitable acts, nor are they merely providing patronage and support for the activities carried out by non-governmental organizations or cultural and sports institutions. It exceeds this to the point whereby the presence of a philosophy or vision reflecting the contribution of the company to sustainable development or the protection of the environment or the bolstering of civil society becomes a necessity. It is a contribution that ought to be characterized by continuity or long-lasting effect on the society or the public environment. Moreover, it should lay the ground for a partnership or joint responsibility with others: such as civil society, municipalities, universities, environmental associations, the government, local communities etc. In other words, there exists a need for crystallizing a clear strategy and an institutional framework for major companies- and insofar as non-random actions, and so that there emerges a clear vision and a message agreed upon by the company's board of directors that reflects its philosophy or its particular view of its social role. This, in the long run, will be positively reflected on the company image- and the benefits accruing to the stakeholders- and will improve the standing of the company in the eyes of the consumers and will bolster its economic performance and its standing in the market.

- The third message is that the social responsibility of the companies is closely tied to institutional reforms in the private sector. Hence, it should constitute a part of an integrated process for ensuring good corporate governance, such as transparency, accountability, disclosure and internal supervision, and to strengthen the role of the independent members in the management. Moreover, it is linked to the presence of ethical principles and responsible financial practices, such as regular and honest payment of tax dues, or not evading payment of taxes that fall due.



Cover page of the MDF4 report which was held in Amman, Jordan October 2004, Which included a workshop relating to the private sector and CSR

- The fourth message is that corporate social responsibility is not merely an ethical issue, but is rather linked to the imperative for governments to provide an integrated system of incentives, such as tax exemptions, the suitable and propitious legislations for socially responsible practices, and the presence of a societal and democratic culture and suitable organizational frameworks such as networks and partnerships between the business sector, government and civil society. No doubt, the media and educational institutions bear a special responsibility, and they may play a vital role in spreading awareness about corporate social responsibility.

- The fifth and final message, is that business associations and chambers of commerce and industry may pave the way for companies to shoulder their social responsibilities, by means of contributing to awareness creation campaigns, training, capacity building, exchange of expertise and promoting better corporate practices.

Concluding Note:

1- The orientation to enable the private sector to play a leading role in formulating economic policies and to achieving sustainable development will entail carrying out a number of reforms regarding the private sector, among which is improving the governance of companies and private institutions. Moreover, it entails other responsibilities which are of a social nature, given that corporate social responsibility (C.S.R.) in this sense is a part of the matrix of reforms required for developing a competitive and responsible business community environment. That is, the social responsibility or the national belonging of companies is not a burden, but is rather a part of the price of the leadership role shouldered by the major companies or the business sector.

2- Social responsibility on the regional level is a collective responsibility, and the private sector shoulders a part of it alongside the government, civil society, municipalities, international organizations and foreign companies operating in Arab countries.

3- The region is in need of a form of public consensus on what is intended by social responsibility, and that it is necessary to determine fundamental human responsibilities through dialogue between all parties of the social partnership. It is necessary to define a regional vision for corporate social responsibility, and to integrate forms of regional and international cooperation and Euro-Mediterranean partnership in the process of building a long-term strategy relating to social responsibility on the regional level.

4- It is necessary to benefit from reform initiatives in the Middle

East, and from the Barcelona declaration. The private sector should participate in drawing up and implementing reform programs and to embark on joint programs, and to seek to engage Arab development funds and reform assistance funds which were approved by the G8 aiming to build an effective network for solidarity and cooperation in the field of social responsibility, and to marshal those resources to solve the problems of unemployment, poverty and illiteracy, in order to assist victims of violence and conflict in the region, and to empower youth and women.

5- Conduct studies and surveys on the level of the countries of the region in order to identify best practices for the business sector in terms of social responsibility. Moreover, to adapt and authenticate the principles of corporate social responsibility within the cultural framework and the social and cognitive fabric of the region, and in a way compatible with its religious beliefs; and also to seek to establish a linkage between them and the "Awqaf" which are historically known, and the possibility of using "Awqaf" on a wider scale in order to have a better exercise of social responsibility on the part of the companies.

6- A study of the current practices of companies which lie within the framework of social responsibility, and to clarify the differences between charitable and philanthropic acts such as grants and donations designated for charitable activities, and also the incidental or unplanned practices, which are imposed on the companies by governmental authorities or those of influence on the one hand, and the social responsibility institutional concept, which relies on the presence of a message or clear vision and a specific philosophy accompanied by practices and methodical programs that direct the activities of the companies and are considered an organic part of their operations.

The development of social responsibility practices should take into consideration making available a clear mechanism for decision making in companies relating to their socially responsible practices, and the nature of the sectors and groups that are beneficiaries of the assistance, and to evaluate whether they conform to the philoso-



Jordan Kuwaiti Bank and the Housing Bank: Supporters of CSR Practices in the Kingdom

phy, identity and nature of work of the company.

7- The social responsibility of companies is not merely a commitment or an ethical issue. It is, more than that, a total system requiring the presence of a group of conditions and incentives such as:

- * Tax exemptions for contributions and expenses, which lie within the framework of social responsibility.
- * The presence of legislations (laws and regulations) and a public culture that induces socially responsible practices.
- * The presence of networks and partnerships between the state, the private sector and civil society.
- * An effective role for the press, research centers and universities, in spreading awareness about the social responsibility of companies.

8- The importance of determining the major players in achieving corporate social responsibility programs namely: the state, business associations, civil society organizations are, research centers and universities, media, major national companies- multinationals, international organizations operating on the local and regional level, business associations unions, Arab League, Euro-Mediterranean partnership, civil society regional organizations.

This paper prepared by Hani Hourani (Director General UJRC) was presented at the first conference organized by the International Dialogue Foundation in the Hague, The Netherlands September 2004.

The 2nd Middle East Corporate Social Responsibility (CSR) Summit held in Dubai last June.

Last Month Dubai hosted the 2nd Middle East Corporate Social Responsibility (CSR) Summit. The event took place from June 5th to June 8th 2005 and was staged under the patronage of HH General Sheikh Mohammed bin Rashid Al Maktoum, Crown Prince of Dubai and UAE Defence Minister, and is supported by Shell, the Dubai Development and Investment Authority (DDIA), the United Nations Development Programme (UNDP).

The summit served as a forum for the region's key industry leaders, government officials and representatives of non-governmental organisations (NGOs) to discuss the necessity and benefits of implementing CSR, while outlining the frameworks in which to do so. The main topics examined at this year's event are to include the obligations and opportunities that corporate social responsibility presents and measuring its cost and benefits, business regulations in the Middle East and the mounting pressure on corporations to account for their environmental and social performance.

The 2005 Middle East CSR Summit, which targeted chief and senior company executives, legal experts, senior managers and department heads, will present delegates with the opportunity to hear about successful CSR strategies from regional and international corporations, and to learn about practical CSR solutions that can be applied to organisations. It also provided networking opportunities with key decision makers from across all industries and peers from around the world.

The highlight of the conference was the several papers presented which dealt with various issues revolving around CSR. To include topics such as "Effectively Introducing CSR to your Organisation", "The Importance of (Employee) Buy-In", "Cost v Benefit: Measuring the Value of CSR" and "Applying Global Expertise in the Development of Local CSR Strategies."