

Corporate Social Responsibility

In what ways has the concept of CSR
contributed to the development of the Egyptian
Economy?

Karen Beshay

900071984

The concept of Corporate Social Responsibility (CSR) is one that has attracted much attention in recent years. This paper aims at tracing the impacts that CSR programs have had on the Egyptian Economy and ways that the benefits of CSR can be maximized to further advance the economy.

Corporate Social Responsibility (CSR) is a phenomenon that has drawn much attention in recent years and has gained much resonance in today's global economy. Increased interest in CSR practices is perhaps a result of the increasing interconnectedness that we observe in our world today, closely accompanied by the increase in international trade. Because of the complexity of this global business environment, there is both a higher demand for transparency as well as corporate citizenship. Furthermore, it can be argued that the duties that were traditionally expected to be fulfilled by governments have increased to an extent that governments alone cannot meet them anymore. Instead, governments and their citizens call upon businesses to help ameliorate the standards of living and meet the plethora of other needs that exist. While much has been written about CSR practices in general, little is available about the CSR practices that are currently being implemented in Egypt. For this reason, this essay will provide a brief overview of the existing literature before an assessment of the CSR practices evident in Egypt is made. This assessment will focus on the CSR practices that exist in the fields of human development, social development and finally environmental awareness.

There are several existing definitions of the concept of CSR. The World Business Council for Sustainable Development (WBCSD) identifies it as "the commitment of business to contribute to sustainable development, working with employees, their families and the local communities." Such a definition suggests that the essence of CSR is the idea that corporations are obligated to cater to a much wider range of stakeholders, as opposed to the obvious stakeholders, which are more often than not, the shareholders. Put differently, CSR is "operating in a manner that meets and even exceeds the legal, ethical, commercial and public expectations that society has of a business" (BSR, 2001). Besides the apparent benefits of CSR to the economy at large, behaving in a socially responsible manner provides many

businesses with a competitive edge, as reputation is a crucial component of people's perception of any corporation. According to Fortune Magazine, the top 500 American businesses donate more than two percent of their post-tax profits to various charities. Such practices are likely to be motivated by the desire to reflect a certain corporate image.

If we come to evaluate the CSR practices in Egypt, we will find that in the field of human development, the International Business Leaders Forum collaborated with the United Nations to help enhance the abilities of non-governmental organizations that deal with the youth, particularly those that strive to provide them with skills necessary for the workplace. Moreover, the collaborating parties focused on drawing plans for actually employing such youth upon the completion of their programs. Such programs have benefited the Egyptian economy in several ways (Ministry of Investment, 2007). Firstly, they created over 2000 jobs in various sectors but most prominently in the agricultural sector. Secondly, they helped improve the standard of education and training provided by schools and other educational entities and finally they helped those financially less able to gain knowledge and expertise in certain fields, granting them access to an otherwise inaccessible job market. Furthermore, in the field of human development, one of the leading communications companies in Egypt's social fund, The Sawiris Foundation for Social Development, provides funding to various institutions to train fresh graduates and provide them with the financial aid necessary to start their own businesses- a concept similar to that of micro-financing. In addition, they also trained people to specialize in caring for handicapped individuals and others to visit schools and educate our young generations about the importance of social responsibility in general. This year, the company provided funds of 24 million Egyptian pounds to 28 different non-governmental organizations and other institutions that fulfill these goals (Orascom Telecom).

As for social development, the United Nations has been encouraging many private companies in Egypt and more particularly multinational companies to contribute to various

development programs. These programs include providing care for orphaned children, establishing a food bank to feed the underprivileged and founding centers that cater to handicapped children. In addition, many programs are being developed in the health sector. Private and multinational companies are being encouraged to provide vaccines for poliomyelitis, dental care and free medical care for all students. Furthermore, programs are being designed to welcome street children and provide them with the necessary health care, education and social needs to allow for their rehabilitation (Shamseldin, 2006).

Another crucial component of CSR is environmental awareness. We have already seen evidence of this in Egypt. Many of the Egyptian weaving companies, led by Oriental Weavers, now resort to environmental awareness as a means of gaining competitive edge after a seminar was held on the importance of such issues in March of 2006. This has allowed such companies to expand and compete on the international market with their environmentally-friendly products. Furthermore, the Egyptian Cement company, which is a heavy user of natural gas because of its minimal pollution effects and costs, is constantly seeking newer sources of energy that are even more environmentally friendly. At the moment, an effort is being made to burn the waste that is generated by this company as a source of energy (El Magharbel, 2008). On a much smaller scale, the British International School in Cairo regularly participates in the Injaz El Arab program; a program that allows students to establish a business of their own and see it through to liquidation. This year's company, 'Vintage Revolution,' is highly aware of the concept of CSR. They clearly mention in their mission statement that their products (bags and other accessories) are entirely produced from billboards as these are unrecyclable materials which would otherwise damage the environment. This student-run company believes that that they owe it to the environment to minimize such damage and are live example of the importance of educating the younger generations about social responsibility (Green Prophet, 2010).

Having seen examples of CSR in Egypt, it is crucial to note that engaging in CSR is very costly for any company regardless of its size. For this reason, one must understand the benefits that Egyptian companies and Egyptian-based companies reap by engaging in such programs. In recent years, we have seen that many multinationals have chosen to set up in Egypt as well as other developing countries. Such multinationals have been attacked for taking advantage of cheaper labour and less restrictive environmental regulations. Contributing to CSR programs in the host countries reduces the pressure that these multinationals face and improves their corporate image in the eyes of the public. The same is true of the local private companies. The Egyptian private sector has long been under scrutiny for the alleged high levels of corruption that prevail in it. Many notable businessmen have been accused of offering and accepting bribes and avoiding financial obligations (El Magharbel, 2008). Of course the media and journalism are mostly responsible for this- they may have exaggerated the degree of corruption that exists or simply brought it under the spotlight. Either way, CSR allows many of these business owners to redeem their image and ensure that their financial position remains stable if not improves. In addition, being highly aware of CSR means that the local private businesses, such as Oriental Weavers and Orascom, can now compete on the international level by selling their products to European outlets or establishing businesses in countries such as Switzerland, respectively (Jamali, 2006). Furthermore, it guarantees that the local business environment is of a high enough standard to attract other transnational corporations to set up in Egypt. While these companies have their disadvantages, their impacts on the developing economies, such as the Egyptian economy, cannot be denied. They lower the unemployment rates, allow for the transfer of technologies and increase competition to name a few benefits but most importantly, they also adopt CSR programs of their own.

In general, while we have observed that there has been an increase in CSR in recent years, it has to be said that the full potential of CSR has not been exhausted yet. So far in Egypt and as we have seen from the examples, only the largest private companies and multinationals are aware of this concept and the importance of its implementation. It can be argued that the reason behind this is that there is no clear plan that allocates the responsibilities expected of the different institutions or at least where the efforts of these institutions are most needed. Having such a plan in place will ensure that the effectiveness of the CSR practices that have been implemented and that are being implemented now can be measured and assessed in an effective manner. Perhaps, no such plan exists because of the variety of different outlets that need immediate and remedial help. However, this does not mean that a strategy should not be placed to cater to these outlets. Such a strategy should clearly outline the roles of the different institutions be it the government, the private sector or the multinational corporations. For example, the government should be in charge of providing a working environment that allows for companies to compete on the local and international level and should also provide benefits to the companies that are highly active in terms of CSR such as tax reductions and other monetary rewards as a means of encouragement. As for the companies that operate in the Egyptian private sector, a clear set of ethics should be determined and implemented to help the sectors and projects that are of immediate relevance to each company, for example, entities lower in each company's chain of distribution. By so doing, one can ensure that the benefits of CSR will have a wider impact. Finally, the multinational corporations should make use of their international expertise to help the local businesses establish programs of their own. As we have seen, the concept of CSR can only help the Egyptian economy advance, but in order to do so, clear aims and objectives should be laid out first.

Word Count: 1,672

Works Cited

- Business for Social Responsibility. "Introduction to Corporate Social Responsibility." 2001. 11 Nov 2010. <http://www.bsr.org/bsrresources/White_Papers_issue_Area.cfm>.
- El Magharbel, Nihal, and Fouad, Yasmine. "Corporate Social Responsibility in Egypt: Some National Experiences." Egyptian Centre for Economic Research. September 2008.
- Green Prophet Magazine. "Putting the "Green" in Egypt's High School Business Education." 2010. 12 Nov 2010. <<http://www.greenprophetmagazine.com>>
- Jamali, Dima, and Mirshak, Ramez. "Corporate Social Responsibility: Theory and Practice in a Developing Country Context." Journal of Business Ethics. April 2006.
- Ministry of Investment, and the United Nations Development Program (UNDP). "Business Solutions for Human Development, Egypt." 2007.
- Orascom Telecom. "Corporate Social Responsibility." 11 Nov 2010. <<http://www.orascom-telecom.com/CSR/Contents/default.aspx?ID=968>>.
- Shamseldin, Ashraf. "Strengthening Corporate Social Responsibility in the MENA Region Case Study of Egypt." MDF5. Jan 2006.
- World Business Council for Sustainable Development. "The Business Case for Sustainable Development: Making a Difference towards the Johannesburg Summit 2002 and Beyond." 12 Nov 2010. <<http://www.wbscd.org>>.