



From Corporate Philanthropy to Strategic Partnerships: The Potential of Inclusive and Sustainable Business Models in MENA

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"From Corporate Philanthropy to Strategic Partnerships: The Potential of Inclusive and Sustainable Business Models in MENA"

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I. Introduction:

The private sector in the Middle East and North Africa (MENA) region has historically faced a number of systemic constraints. These include the dominance in critical sectors of state-owned enterprises and family-owned conglomerates, narrow resource-based growth, and weak or non-existent policies and institutions required for a dynamic market economy. However, as the conference organizers have noted, for more than twenty years a gradual but uneven process of reform has begun to reshape several of the region's economies. In many countries, the role of the state in the economy has been diminishing while the private sector has started to emerge as an important driver of growth. On top of this generally positive trend, the steady rise of oil prices from September 2000 until July 2008 resulted in record revenues for many MENA countries, bolstering the expectation of continued economic development and an increasingly equitable public sector-led distribution of its benefits. Recent prospects for the region appeared bright.

In 2008, this positive trajectory was interrupted as the economic crisis took shape. Consumption, exports and foreign investment fell across the globe. The International Energy Agency has forecast that demand for oil in 2009 will fall at the fastest rate since 1982.¹ According to World Bank forecasts, the developing world faces the sharpest slowdown in growth since the Second World War, with growth plunging from 7.9 per cent in 2007 to 4.5 per cent in 2009. Excluding India and China, the projection for 2009 is a dismal 2.9 per cent.² China, a leader in export driven growth, saw exports record their biggest decline in more than a decade in January 2009, falling 17.5 per cent from the same month the year before as the impact from the global slump gathered pace.³

On top of this slowdown, the economic turmoil has been compounded by the impacts of a food crisis and pending climate crisis, and is exacerbating many of the existing development challenges in MENA, such as persistent unemployment and the need to diversify exports. Governments and businesses alike recognize the serious challenges the region faces. Now more than ever, innovative and dynamic approaches to development are needed. Greed, a focus on short term incentives neglecting value creation, and the lack of coordinated oversight and leadership have all contributed to the current challenges. In response, World Bank President Robert Zoellick's has called for an "era of responsible globalization, where inclusivity and sustainability take precedence."⁴ This leads to the question what role, if any, can the private sector play in fostering more inclusive and

¹ Ed Crooks, Oil demand to fall at fastest rate since 1982 Financial Times, February 11 2009

² Krishna Guham, Developing world warned on slowdown, Financial Times, December 10 2008

³ Geoff Dyer, China exports at lowest level in a decade, Financial Times, February 11 2009.

⁴ Robert Zoellick, It is time to herald the Age of Responsibility, Financial Times, 25 January 2009

sustainable globalization and moving development forward in the midst of the current economic climate?

There is a dynamic process of convergence underway among Corporate Social Responsibility (CSR) concepts, Base of the Pyramid business models, economic development programs and corporate philanthropy. The lines between these areas of activity are blurring, leading to exciting new models of business that at once are profitable, advance economic development, and support the livelihoods and lives of the poor. It is within this rich contemporary context, currently evolving and rapidly developing, that the authors place the thesis of this paper. Emerging models of inclusive and sustainable business, especially strategic public-private partnerships, may be part of the answer. Such partnerships hold the potential to improve competitiveness at the firm, country and regional level, and can also address social and equity issues by complementing the role of governments and other stakeholders.

This paper explores the idea that inclusive, sustainable business partnerships hold the potential to address multiple development needs within MENA, and may contribute to defining a new, more dynamic role for the region's private sector. The paper posits three reasons why inclusive and sustainable business practices and CSR related partnerships may be a timely and important complement to private sector activity in the region. First, the global economic crisis and the limitations of existing institutions and arrangements open the door for innovative approaches that can both encourage economic activity and address urgent development needs. The magnitude of the crisis itself invites, and perhaps requires, new and innovative multi-stakeholder approaches to the region's challenges. Second, private sector partnerships can address critical social and equity issues in new ways. Finally, CSR partnerships can contribute to increased competitiveness and economic dynamism. Multiple examples of existing partnerships are included to demonstrate the potential these partnerships hold for regional impact. The authors conclude by suggesting ways forward while recognizing current capacity needs and limitations.

II. Convergence: Responsibility, Philanthropy, and the Pyramid :

Over the last several years, the worlds of business and economic development have been converging. Numerous initiatives have been developed that engage the private sector in activities that address poverty and the lives of the poor. These activities are initiated by different actors and often use different terminology, but share the common characteristics of moving beyond "business as usual" to new models that create value for all. Three of the primary trends are discussed here: corporate social responsibility, corporate philanthropy, and the business development at the Base of the Pyramid.

Corporate Social Responsibility

Corporate Social Responsibility, or CSR, has become firmly established in the lexicon of business (together with such variations as "corporate responsibility" and "corporate citizenship") and yet the term's precise meaning can vary across sectors, time and geographic location. A review of current terms and concepts is provided in Annex 1 of this paper.

This multiplicity of meanings reflects the evolution of CSR activities over the past three decades. Although the ideas of a company's responsibility to society dates to earlier in the 20th century, many CSR initiatives in the West began in the late 1970s as reflexive actions against actual or possible risk to corporate reputation. Pressure from the media and consumers over issues such as use of sweatshop labor (real or alleged) and pollution spurred actions designed to reposition companies as good corporate citizens. Throughout the 1990s, this reflexive stance continued, and CSR activities consisted primarily of reporting activities. The emphasis on reporting, which has sparked a whole side industry, was largely driven by multinationals seeking to demonstrate that they were meeting acceptable ethical trade and sustainability standards. In 1994 John Elkington coined the phrase "triple bottom line" to define a company's measurement of its financial, social and environmental impact, and to promote the idea that the three should be given equal weight.

In the past decade, "best practice" in CSR has shifted from reflexive reputational safeguards and community engagement to the integration of CSR into core business and into the job descriptions of operational managers. CSR has been broadened to reflect a more long term strategic approach to operations and planning designed not just to maintain the license to operate within communities, but to also help create additional value and profits – CSR as core business. This implies a willingness to experiment and to create business models that have long term sustainability, for example through seeking greater operating efficiencies, greater employee loyalty and skills, or creating new markets at the "bottom of the pyramid", as detailed later in this paper.

This shift has been motivated in part by growing recognition among business leaders of how development challenges, ranging from the spread of HIV/AIDS to corruption to climate change, were impacting day to day business operations and adding to costs. The international business community began to consider how it might contribute to solving these challenges – recognizing mutual self-interest with the international development community. In 2002, the World Economic Forum (WEF) launched the Global Corporate Citizenship Initiative which organized and mobilized its corporate members around various development challenges. 4700 corporate participants and stakeholders from over 130 countries are now members of the United Nations Global Compact, a strategic policy initiative created in 1999 for companies that commit to align their operations and strategies with ten agreed principles in the areas of human rights, labor, environment and anti-corruption.⁵

In a parallel process, since the end of the 1990s, the international development community also began to take seriously the idea that CSR was a positive trend and that private sector skills and resources could be more effectively harnessed for development. The creation of the United Nations Global Compact was just one of a host of efforts to assess and promote private sector contributions. These included a series of conferences and reports on business contributions to achieving the Millennium Development Goals (MDGs) organized by the World Bank Institute and InWEnt, the German government capacity building agency. In one of the latest instances in 2008, British Prime Minister Gordon Brown joined with UNDP and private sector leaders to establish Business Call to Action, whose signatory companies commit "to take action through their core business in a transformative and scalable manner that will enhance growth and help meet the MDGs." Brown signaled the need for "a new approach — moving beyond minimum standards,

⁵ <http://www.unglobalcompact.org/AboutTheGC/index.html>

beyond philanthropy and beyond traditional corporate social responsibility - important though they are - to develop long-term business initiatives that mobilize the resources and talents that are the central strengths of global business.”⁶

Corporate philanthropy

Corporate philanthropy is another area that has become closely intertwined with business and economic development in new ways. As with CSR, the lines between formerly discrete areas of activity are blurring, merging the strategies and skills of both philanthropy and business, creating dynamic and innovative hybrid activities that are often generously funded.

Recent years have witnessed a shift in corporate thinking about philanthropy. While many companies have long-standing philanthropy programs, many have begun to apply business thinking and models to their philanthropic objectives. For a growing number of firms, philanthropy is no longer developed separately from corporate strategy.⁷ The issues that companies target for financial support are increasingly aligned with corporate risk management and bottom-line objectives. Increasingly, in addition to money, firms are contributing valuable resources like staff time and expertise, technology and networks. As Bradley Googins, executive director of the Boston College Center for Corporate Citizenship notes, “Philanthropy is one of the more essential pieces of [a firm’s] global strategies because of the concrete relationships they have on the ground.”⁸ Sustainable market ventures can result as companies, through the operations of their foundations, learn more about the market realities and the potential for serving and engaging the poor. According to findings released in February 2008 from *The McKinsey Quarterly* survey of executives, some 80% of respondents said finding new business opportunities should play some role in determining which philanthropic programs to fund.⁹

There can be internal institutional benefits as well. Increased interaction between staff of corporate giving units and business divisions can help build understanding within the company of how it can address the often complex social issues that exist in various places within their global market. The emergence of a cadre of personnel with experience in both fields is likely to further encourage cross-fertilization of ideas and skills.

Philanthropic institutions have also been increasing the financing they dedicate to global issues, and are becoming more involved in development issues that were traditionally the domain of large international institutions. For example, the Bill and Melinda Gates Foundation saw its endowment double in 2006 with the gift of an additional US\$31 billion from investor Warren Buffett, and has subsequently expanded the focus of its work from purely health-related initiatives to include agriculture and micro-finance.¹⁰ Google, the internet search giant, commits 1% of total equity and profits to its social investment/venture philanthropy arm, Google.org, to tackle pressing global issues such as climate change. As of September 2008, more than US\$100 million had been invested.¹¹

⁶ <http://www.number10.gov.uk/Page15447>

⁷ Michael Jarvis and Jeremy Goldberg (2008), *Business and philanthropy: the blurring of boundaries*, Business and Development Discussion Papers, World Bank Institute, No. 9

⁸ Ret Boney, *New corporate giving crosses departmental lines*, *Philanthropy Journal*, September 18, 2007

⁹ *The state of corporate philanthropy: A McKinsey Global Survey*, *The McKinsey Quarterly*, February 2008

¹⁰ Carol Loomis, *Warren Buffet gives away his fortune*, *Fortune magazine*, June 25, 2006

¹¹ www.google.org

This scale of giving means that private philanthropists have the potential to have a major development impact. The World Bank estimates that in 2005 private donors gave more than US\$4 billion to international development, which is small compared to overall official development assistance of more than \$100 billion from OECD nations, but high compared to many individual country donations.¹²

Base of the Pyramid business models

Another important trend that is contributing to the convergence between business and poverty alleviation is the Base of the Pyramid (BOP) approach to business. BOP business models find opportunities through engagement with the poor – treating them not as passive recipients of corporate largesse, but instead as producers, distributors, and consumers. BOP approaches emphasize that profits can be made by doing business with the poor, while creating opportunities for the poor to help lift themselves out of poverty. The burgeoning literature on BOP strategies over the past 5 years is reflective of the interest of firms to gain market access to (or create new markets for) the 4 billion people who live on less than US\$3,000 per year, but represent a US\$5 trillion global consumer market.¹³ BOP business can be done through purely commercial channels, or through partnership approaches. For example, the AED/Mark Partnership with Exxon Mobil helped to develop a viable market for insecticide-treated mosquito nets in Africa, while using subsidies to improve pregnant women’s access to those nets.¹⁴ As a 2008 UNDP report on the subject summarized its main message, “Business with the poor can create value for all.”¹⁵

BOP approaches often require a change in perspective on the part of the private sector. Especially in developing countries, companies often seek to reach the wealthiest consumers. The poor are often overlooked or judged to be an unviable market segment. However, as noted by Petkoski, Rangan and Laufer, this perspective is at best limited and at worst woefully inaccurate or uninformed. Businesses can engage the poor, if business actors are willing to understand their values, aspirations, and the contributions they can make to value creation for themselves and others. Management of long established firms often hold deep-seated assumptions about the poor, assumptions that are partly caused by a wide cultural and socioeconomic divide and a lack of direct interaction.

Incorporating poverty alleviation into corporate strategy always requires internal change in companies, and sometimes even redefining organizational values and cultures. These changes may include developing a more entrepreneurial spirit linking to the entrepreneurship so often demonstrated by those seeking a way out of poverty, together with a clear vision of, and a readiness to support new and pioneering BOP ventures. Not only is it necessary to capture the attention of corporate executives and senior managers, but an effort must be made to explicitly connect business growth and profitability with BOP markets. For example, the multinational cement producer CEMEX chose to put an interdisciplinary team of its own employees on the ground in Mexico to better understand

¹² Olga Sulla (2006). Philanthropic Foundations Actual versus Potential Role in International Development Assistance. Mimeo. World Bank Global Development Finance Report Group.

¹³ Allen Hammond, William Kramer, Robert Katz, Julia Tran and Courtland Walker, The Next 4 Billion – Characterizing BOP Markets Development Outreach, World Bank Institute, June 2008, p7

¹⁴ Wayne Visser, (2008) Corporate Social Responsibility in Developing Countries, in A. Crane, A. McWilliams, D. Matten, J. Moon & D. Siegel (eds.), The Oxford Handbook of Corporate Social Responsibility, Oxford: Oxford University Press, p485

¹⁵ UNDP (2008) Creating Value for All: Strategies for Doing Business with the Poor, p1

the social and home-building practices of low-income communities, and used that knowledge to develop a successful product line of housing just for the poor. Unilever's commitment to improving the lives and livelihoods of the poor in India is driven by the recognition that "the health of business is inextricably linked with the health of society."¹⁶

While still an area of experimentation, with most well-documented successful examples drawn only from certain sectors and countries, the real potential of BOP models is undeniable. This potential extends to the MENA region - Egypt alone could have a BOP market no smaller than pppUS\$50 million daily, as suggested by Mostafa Hunter.¹⁷

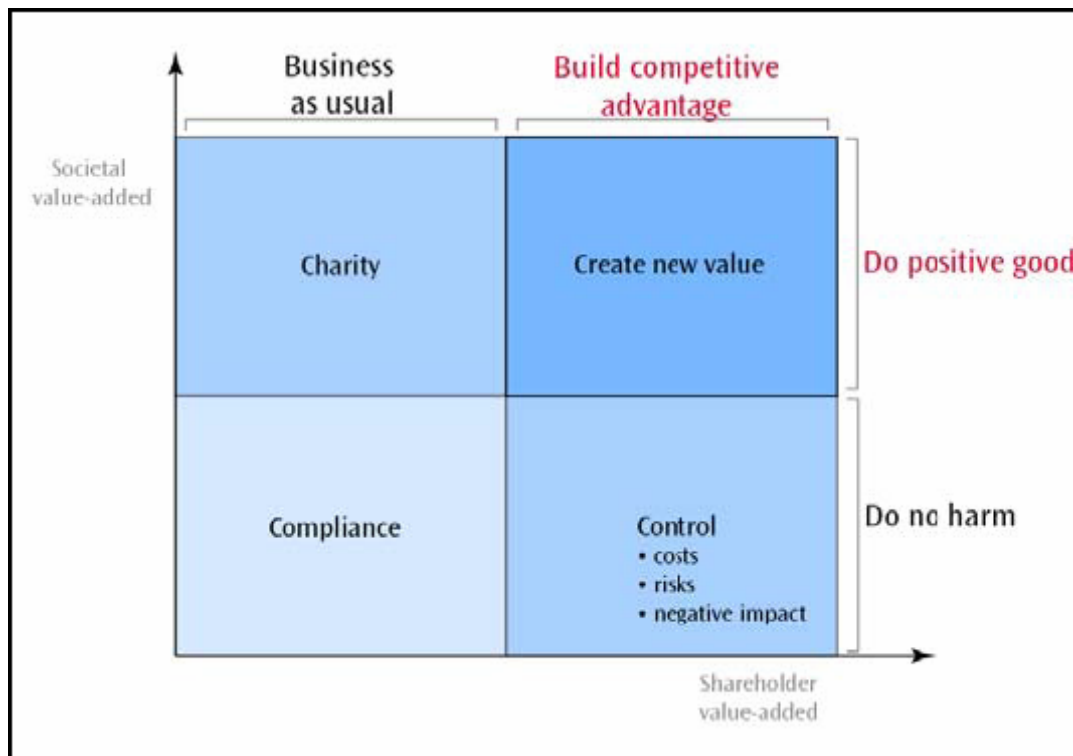
In sum, CSR has become more strategic, business more interested in helping solve development problems, philanthropy more well-funded and engaged in social and economic entrepreneurship, and emerging BOP models are creating new incentives for the private sector to become stakeholders in poverty reduction while growing their consumer markets. The convergence of these areas of activity is producing exciting new models of inclusive and sustainable business practices, which produce profits as well as social good. Engaging in these activities is often very smart business. As Jane Nelson of the CSR Initiative at Harvard University argues "controlling risks, costs and negative liabilities and most importantly, creating new value through new social and environmentally responsible products, processes, technologies and alliances, can help to create competitive advantage for a company. All the four quadrants below should be part of an effective CSR strategy, but the top right-hand corner is where the real opportunities for business excellence, leadership and competitiveness lie."¹⁸

¹⁶ Djordjija B. Petkoski, V. Kasturi Rangan, and William S. Laufer, Business and Poverty: Opening markets to the poor, Development Outreach, World Bank Institute, June 2008, p5

¹⁷ Mostafa Hunter, Base of the Pyramid Economies, from part of the problem to part of the solution, The Executive, Egyptian Institute of Directors, April-June 2008, p10

¹⁸ Saudi Arabia General Investment Authority and the Corporate Social Responsibility Initiative at Harvard University (2009) Report of the First Leadership Dialogue Corporate Social Responsibility in Saudi Arabia and Globally: Key Challenges, Opportunities and Best Practices, p5

Different approaches to CSR



Source: Nelson, Jane

At the same time, there CSR can bring real change to people’s lives and reinforce development, and has the potential to bring even more positive benefits. As noted by U.K. Parliamentary Under Secretary of State Mike Foster when unveiling the UK Department for International Development’s new private sector development strategy in January 2009, “The 90 million people who face extreme poverty because of the global slowdown need the opportunities that business provides. ... We know that the private sector is the engine of economic growth, and we know that growth drives development. The corporate social responsibility approach of the last ten years does not go far enough. Supporting development is – and must be – a core part of what businesses do, not an altruistic add-on.”¹⁹

The MENA context

The business trends discussed above are at a very early stage in the MENA region. Before reviewing activities that are underway and analyzing the potential of new models, it is important to evaluate the cultural and regional issues, which may affect whether these business models will follow a similar evolution as they did in other regions, and whether their successful application can be expected. For example, activism around consumer, environmental, labor, governance and community issues – a hallmark of Western society and a critical driver of CSR in the West – is not typically observed in the MENA countries. Instead, a recent World Bank report found that CSR has different meanings from country to country in the region (see Annex 2) but most commonly springs from

¹⁹ DFID Press Release, January 20, 2009, Online: <http://www.dfid.gov.uk/news/files/foster-psd.asp>

purely philanthropic motivations on the part of an individual company. CSR in the MENA region does not yet appear to significantly arise from, or respond to pressures and demands from society.

A recent survey of CSR activities Turkey came to conclusions that are common throughout the region: CSR is not a concept that is familiar nor widely practiced, although potential exists for CSR to contribute to solving some of the country's development challenges. Much of Turkish corporate philanthropy revolves around direct philanthropy or corporate sponsorship of education, arts or sports.²⁰ Internal drivers were identified as cultural proclivity towards philanthropic behavior, and a strong tradition of quality within the manufacturing sector. The process of EU accession has also served to bring several sustainability-related issues to the fore. Constraints on the expansion of CSR include the general opinion that it consists solely of philanthropic activities, and that small and medium enterprises (SMEs) do not understand the connection between CSR and core business strategies.

The CSR activities that already do already exist in MENA may align with strong cultural roots. It is possible that regional corporate philanthropy builds naturally on Islamic concepts such as *zakat*, a religious pillar that obligates Muslims to donate a fixed percentage of their income to needy causes or individuals. Both the *zakat* giver and receiver are considered to be purified or morally elevated by the transaction. The highest use of *zakat* is to donate funds in a manner that will support or encourage the receiver's ability to be self-sufficient, although at least one Egyptian observer has noted that most contemporary *zakat* donors allocate their resources in a "scattered and unorganized manner", without realizing the potential impact their funds could have.²¹ Of course, *zakat* and corporate philanthropy are two distinct phenomena. But companies that implicitly or explicitly base corporate philanthropy on the *zakat* philosophy may not have considered the potential multiplier effect of linking these resources to their firm strategy. It is possible that *zakat* funds, appropriately and respectfully integrated into a company's core business, could be a powerful tool that would allow private sector firms to make significant and meaningful contributions to the societies in which they operate.

Although these new models of business may have first been adopted by companies based in the West, there are several compelling reasons why they should be taken seriously in the MENA region. The following sections of the paper outline the potential such models may hold in the current economic climate, and how these models can address both social issues and economic competitiveness. At the current nascent stage of CSR in the region, partnerships can provide space for experimentation and to bring in supporting skills and resources. Therefore, multiple examples of successful partnerships are included. While an imperfect solution, this paper uses the term "CSR partnerships" to denote public-private partnerships that produce valuable outcomes for business and society.

²⁰ Agence Française de Développement (2007) Working Paper 55 - [Corporate Social Responsibility in Turkey: Overview and Perspectives p7](#)

²¹ The Near East Foundation/Center for Development Services (CDS). Online: <http://www.neareast.org/phil/en>

III. Partnerships may provide a promising way forward in the current global economy :

The tumult of the economic crisis has left many actors without a clear forward strategy. Testing the new business models described above may be a good business decision for multiple reasons. “Strategic philanthropy” can be an important tool in improving competitiveness, as outlined by Michael Porter and Mark Kramer.²² It can help finance and create a space for experimentation with inclusive and sustainable models that might otherwise not be undertaken by the private sector. Such experimentation can then lay the ground to mainstream successful approaches, but strategic philanthropy remains one step removed from strategic CSR where considerations of inclusivity and sustainability are integrated at the heart of corporate strategy and performance measurement.

The global economic crisis opens the door for new approaches

The Middle East region is not unfamiliar with the vagaries of the business cycle. Many of its economies have long experience with the waves of boom and bust that track oil prices, and until the current economic crisis it appeared that a prolonged boom was at hand. “A year ago,” said one analyst in January 2009, “my colleagues and I were espousing that, for the first time in the Middle East’s recent history, the region was enjoying two dividends simultaneously: an oil boom and a large youthful population. We argued that economic growth coupled with expanding opportunities for a large youthful population could create a spiral of economic development. This would be the generation that secures good jobs, accumulates savings, buys their own apartments, and marries in good time, forming the region’s future middle class.”²³

One year later, that optimistic scenario has all but evaporated. Regional growth is already showing signs of a severe slow-down, and oil prices have fallen by more than two thirds (by almost 70%) since their peak in July 2008.²⁴ According to the IMF, economic growth of Gulf oil exporters is set to slow by almost half to 3.5 percent this year as the Middle East earns about US\$300 billion less from crude oil exports. Saudi Arabia and five of its neighbors in the world's biggest oil-exporting region are likely to post fiscal deficits amounting to 3.1 percent of gross domestic product, compared with surpluses of 22.8 percent of GDP in 2008.²⁵ Egyptian Finance Minister Youssef Boutros-Ghali reported in January 2009 that his country was looking at a “serious contraction” in economic growth because of the global financial crisis. “All the interaction with the outside world is coming practically to a standstill. Our exports are dropping, tourism is dropping, Suez Canal receipts are dropping, workers remittances are dropping.”²⁶ Prime Minister Ahmed Nazif said in December that the Egyptian government had set its target for economic

²² Michael Porter and Mark Kramer, Strategy and Society: the Link Between Competitive Advantage and Corporate Social Responsibility, Harvard Business Review, December 2006

²³ Dhillon, Navtej. Opinion piece published on the website of The Brookings Institution, January 30, 2009. http://www.brookings.edu/opinions/2009/0130_middle_east_dhillon.aspx

²⁴ World Bank, Commodity Price Data, Online:

<http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTDECPROSPECTS/0,,contentMDK:21148472~menuPK:538204~pagePK:64165401~piPK:64165026~theSitePK:476883,00.html>

²⁵ TradeArabia, Gulf economic growth to slow by half, 8 February 2009, Online:

http://www.tradearabia.com/NEWS/ECO_156128.html

²⁶ TradeArabia, Egypt sees 'serious contraction' in growth, Cairo: Sun, 8 February 2009,

http://www.tradearabia.com/NEWS/ECO_156170.html

growth at 5.5 percent for the two years starting July 2008, after 7.2 percent growth in the 2007/8 financial year.²⁷

With growth severely curtailed, the public sector, long the employer of choice in MENA, is unlikely to be able to create even a fraction of the new jobs demanded by the region's demographics. The private sector, still nascent in many sectors, remains wary of setting forward strategy in the midst of so much uncertainty, and still lacks institutional and policy structure that encourage diversification into new industries or business expansion.

An attempt at predicting the region's future: The World Economic Forum Scenario Project

While countries and regions have experienced economic crises in the past, the severity and widespread nature of the current downturn are certainly unique. Predictions are impossible to make because there are multiple factors that will determine the course of future economic activity. It may be informative, however, to review one recent attempt to define the future of the region. In 2007, the World Economic Forum (WEF) developed three scenarios to map out possible paths of economic growth through 2025 in the Gulf Cooperation Council countries, including implications for the region's economic, social and political development. These scenarios were developed over a year with input from business, government, academia and the social sector. While all three scenarios are presented as possibilities and not predictions, it is informative to consider the lessons inherent in one of them, which posited a potential global recession similar to that now building. In this particular scenario, the recession is sparked by major military conflict, but the authors hypothesized that the region's focus would turn to internal and external threats, and short-term gain over long-term growth. While a sobering speculation, the scenario emphasizes the importance of taking advantage of the incentives for reform that are presented in an economic crisis.

The multiple challenges brought on by the financial crisis may serve to open the door to new approaches. Governments and business are unlikely to reach solutions unilaterally, relying on existing economic strategies, institutions and arrangements. The time may have arrived when collaboration holds at least part of the answer. Multi-stakeholder, CSR-focused partnerships can leverage the strengths of both public and private institutions, forging new models of collaboration that may be greater than the sum of the individual parts.

Promising efforts are already underway in the MENA region and interest in CSR is increasing – offering fertile ground for new models of engagement

Corporate responsibility is not a new idea in the Middle East. As already noted, much of the recent CSR activity in the region has been based on the private sector's philanthropic activities that are not linked to corporate strategy and core business. While different in character and impact from the strategic partnerships envisioned by this paper, the current activity can provide a base on which to build new efforts. An overview of recent

²⁷ Ibid

conference activity reflects that new kinds of strategic CSR initiatives are gaining momentum in the region.

**CSR Initiatives are Gaining Momentum:
A Sample of Recent Regional Conferences on Corporate Social Responsibility**

The Second Forum of the Ministers of Social Development for the Arab Region met in **Jordan** in November 2008 to discuss the role of CSR in social development. Participants recognized the role of CSR in reducing poverty.

With the participation of the World Bank Institute, the United Nations and Harvard University, **Saudi Arabia** hosted a CSR conference in November 2008 around the themes of Key Challenges, Opportunities and Best Practices.

Kuwait hosted its third conference on CSR in January 2009, with the collaboration of the United Nations Development Program, Gulf Bank, Kuwait Petroleum Company, and others.

In **Dubai**, a government-sponsored conference was held in January 2009 around the theme “corporate social responsibility as a national duty” and highlighted the activities of a local bank in providing access to finance for small and medium enterprises.

Saudi Arabia has recently taken impressive steps to further CSR within the Kingdom. These include establishing the Saudi Arabian Responsible Competitiveness Index (SARCI), which measures national companies on several indicators of social responsibility; launching the King Khalid Award for Responsible Competitiveness which will be awarded to companies that have received the highest rankings from the SARCI; and commencing the Responsible Competitiveness Leadership Dialogues, designed to build awareness of and capacity to implement sound and strategic corporate social responsibility activities.

Numerous CSR initiatives and corporate partnerships have flourished in Egypt, including some that go beyond traditional philanthropic practices. In 2007, the Federation of Egyptian Industries joined the UN Global Compact and signed a Memorandum of Understanding with the UNDP to expand CSR in Egypt.²⁸ In 2008 the Egyptian Prime Minister opened the first national conference on CSR convened by the Ministry of Investment and organized in cooperation with the Egyptian Institute of Directors (EIOD), the World Bank Institute (WBI), and the Center for International Private Enterprise. Recognizing growing private sector and government interest in the topics in relation to national competitiveness, EIOD and WBI joined forces following the conference to launch an online training program on CSR available in both English and Arabic for business leaders, and a second national conference will take place in 2009.

We believe it is no longer possible for us to work on development and CSR separately. It has become a necessity ... to work with the public sector and the civil society and the international organizations to achieve a real development long awaited by our society. At Procter & Gamble Egypt we do believe that this type of partnership doubles the benefits received by our community, and provides what won't be achieved by the private sector alone or the civil society alone.”

- Mohammed Samir, General Manager, Procter & Gamble Egypt

In Jordan, high level commitment to CSR principles is exemplified by the Arab Leaders Sustainability Group, established by Her Royal Highness Queen Rania. Several other partnerships, including the Jordan Education Initiative and INJAZ (focused on youth employment) bring together public and private sector actors in successful partnerships that are furthering the goals of all stakeholders.

There are multiple reasons why the private sector may collaborate in spite of economic uncertainty

Expansion of CSR initiatives can build on the interest of private sector interests that are already operating in the region. Although the economic crisis is affecting markets around the globe, strategic partnerships may indeed be possible in the current climate. Private sector firms, both local and multinational, may be seeking innovative ways to maintain an economic presence. As such, some companies may realize that there can indeed be bottom-line returns to investing or maintaining operations during a downturn, not least of which is protecting the reputation of the company. For example, during the 1997-98 financial crisis in Indonesia, Unilever did not leave the country nor discontinue operations. Instead, the company reconfigured its business model so that its products remained affordable, renegotiated contracts with suppliers so that everyone could remain in business, and kept retention of employees as its highest priority. Today, according to one study, Unilever is seen as an “embedded” company in Indonesia, in contrast to other firms that may be seen as only extracting what they need from the local economy.²⁹

Another reason why CSR partnerships may flourish during the economic downturn is that they do not necessarily require a cash investment. Sometimes non-cash resources from the private sector are the most effective way to collaborate. For example, training programs that provide needed skills, physical facilities, marketing expertise, the ability to innovate, distribution networks, access to consumers, technology, and donated staff time would all be beneficial and valuable contributions to a partnership.

Finally, individual companies may see the economic crisis as the time when it is even more imperative to act as a responsible citizen, and when the ramifications of such actions could have long-term implications. Surveys suggest a need to rebuild public trust globally in business leadership. Jeffrey Immelt, the CEO of General Electric, made the following comments in October 2008, “[The current economic crisis] is not a cycle, it’s a reset. People that understand that will prosper in the future; people that don’t understand that will get left behind. [Corporate] responsibility is profoundly different today versus where it was even six months ago. ... I think when we come out of this fog, this notion that companies need to stand for something, need to be accountable for more than just the money that they earn, is going to be profound.”³⁰

²⁹ Overseas Development Institute (2009) Returns on Investment in Responsible Business Practice: Higher in a Downturn? ODI Opinion Paper 121.

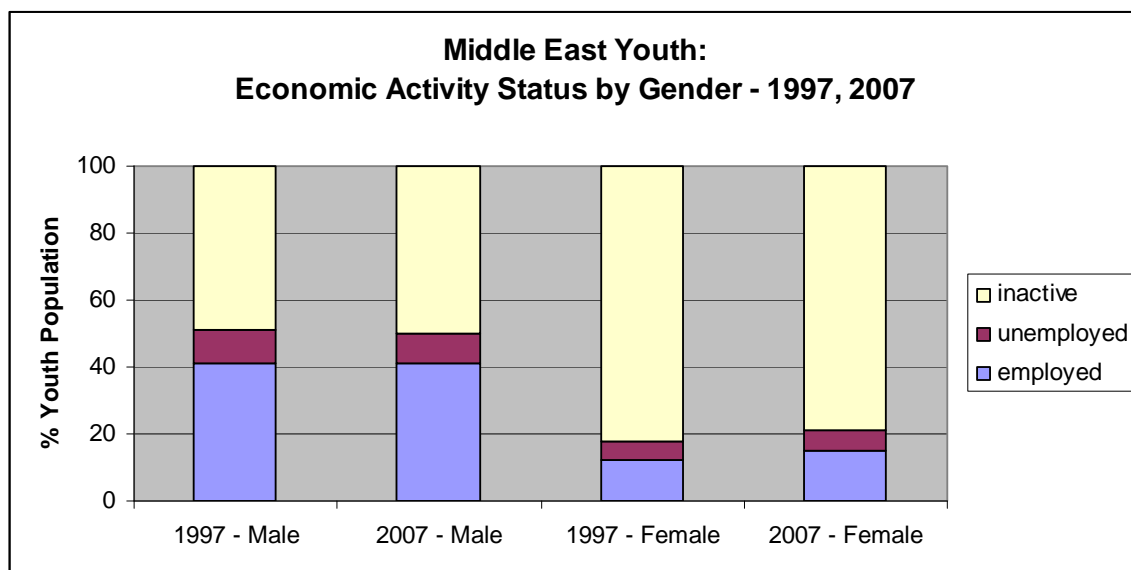
³⁰ <http://www.youtube.com/watch?v=dR66ZdQt0aM>

IV. Partnerships can address social and equity issues in new ways :

Although philanthropy appears to currently be the main driver of CSR and related activities that exist in the region, more strategic models of CSR offer a new perspective to address existing social and equity issues. When companies can identify a strategic business case for participating in alliances that tackle these issues, they can contribute new methodologies, resources and energy. Seeking solutions to social and equity challenges has long been the preserve of government and, on a much smaller level, emerging civil society organizations. When the private sector becomes involved in activities that are related to core business interests, it can significantly increase a partnership's impact. In the Middle East, some of the most pressing issues are also those that hold the most potential for dynamic, high-impact partnerships: youth, women and technology.

The challenge of limited opportunities for youth

MENA is undergoing rapid population growth. In 2007, the United Nations estimated the population of the region at 290 million people, and projected that this population figure would double by 2050.³¹ There are now over 100 million youth between 15 and 29 years old across the region, representing 30% of the total population.³² Youth's share of the population is peaking or will peak within the next decade except in Yemen and the West Bank and Gaza. The huge numbers of young people that make up this "youth bulge" will be seeking customary economic and social opportunities – above all jobs, but also such life priorities as the ability to pay for marriage expenses -- as they enter young adulthood.



Adapted from: ILO, Global Employment Trends for Youth 2008

Yet youth job prospects are slim. Primary and secondary education attainment has greatly increased across the MENA region in the past twenty years, but education is not equipping young people with the skills and knowledge that they need to succeed in the labor market.

³¹ International Business Leaders Forum (2007) Business and Youth in the Arab World: Partnerships for Youth Employment and Enterprise Development, p11

³² Dhillon and Yousef, Inclusion: Meeting the 100 Million Youth Challenge, p1

The region is facing a critical problem of youth unemployment. Youth in the Middle East are 3.5 times more likely than adults to be jobless. First time job seekers, mostly between 15 and 24 years of age – make up more than 50 percent of the unemployed – the highest regional average in the world.³³ According to the World Development Report 2007, this means that policymakers in the MENA region must find ways to create 100 million new jobs by 2020. As reflected in the figure above, many youth in the region may be so frustrated with the lack of opportunity that they are no longer actively seeking work.

Navtej Dhillon of the Middle East Youth Initiative and Tarek Yousef of the Dubai School of Government urge inclusive youth employment policies that help address both the mismatch between the skills of new entrants to the labor market and those needed by business, and the rigidities on the demand side that limit the number and quality of opportunities within the private sector that might absorb the large numbers of young workers. They note that those who have obtained secondary and post-secondary education face special challenges. The average duration of unemployment spells for youth with university or vocational education is relatively high. In Morocco, it is three years. In Egypt, it is two and a half. Where there are private sector jobs, those available to youth tend to be informal – in Egypt in 2005, for example, 72 percent of jobs for new labor market entrants were informal.

In this context, it is not surprising that many youth in the region continue to look to the traditional security of public sector employment. In Syria, a recent survey found that 80 percent of unemployed youth continue to seek public sector jobs and 60 percent are unwilling to consider jobs elsewhere. However, this mismatch in expectations as well as skills only compounds the problem. A secondary education no longer guarantees a public sector job with lifetime security and social protection, reflecting a dramatic devaluation of educational credentials and, as a result, dissatisfaction among the educated.³⁴ Increased economic opportunity for youth and a more vibrant private sector go hand in hand. Both are essential for growth prospects.

In sum, although there is some variation within the MENA region in the causes and scope of youth unemployment, there are four common characteristics of youth unemployment that can be found in most Middle Eastern countries, as noted in a recent report by the International Business Leaders Forum³⁵:

1. Over-reliance on public sector jobs, while those jobs are actually in decline.
2. Young people face a gap of time between school and work when they are unable to find employment.
3. Facing a difficult job market and diminishing prospects, many educated young people choose to emigrate
4. Women find unequal opportunities in both school and work.

Partnerships can provide opportunities by addressing the skill mismatch problem

Some of the region's high unemployment numbers are attributed to a disconnect between the skills and knowledge acquired in schools and universities, and those required by

³³ Ibid, p11

³⁴ Ibid, pp11-16

³⁵ International Business Leaders Forum (2007) Business and Youth in the Arab World: Partnerships for Youth Employment and Enterprise Development

employers, plus a lack of access to information about the limited opportunities that may be available. By involving the private sector, partnerships can address unemployment with information that is immediate and relevant for young people who are seeking work. Job training partnerships are common, and sometimes involve apprenticeships or internships, where a student may learn on-the-job skills or shadow a manager or other key employee. Private sector firms often see the benefit of participating in such projects because they can train and evaluate potential employees without making a long-term commitment for permanent employment. Other private sector firms, that would not directly employ trained youth, support similar partnerships to bolster the general economic prospects of a community or region.

Example: Cisco works with the United Nations Development Program and other partners in its Networking Academy Program, teaching computer networking skills and preparing students to take the exam for Cisco Certified Network Associate credentials. The program has been implemented in more than 160 countries, including those in MENA, and reaches 600,000 students on an annual basis. In many places, the program places special emphasis on training young women.

Example: Chevron worked with local government and other partners in Aceh, Indonesia after the 2004 tsunami to design a program that would provide job skills to the area's young people. Although Chevron has been working in Indonesia for many decades, the company helped to build a vocational training school that would prepare local youth for jobs in fields other than natural resources extraction. A survey of local employment and reconstruction needs determined the initial training courses offered at Aceh Polytechnic, which opened in 2008. The institute offers vocational training in mechatronics engineering (a combination of electronic and mechanical engineering), electronics telecommunication and business accounting.

Partnerships can provide opportunities by teaching soft skills / life skills

Job training partnerships often include soft skills, or “life skills” training. Soft skills usually involve a combination of social skills, cognitive skills and emotional coping skills that help young people become productive employees and self-sufficient adults. Many unemployed and disadvantaged youth lack not only hard job skills, but also these softer social skills. Absence of these skills into young adulthood can engender social exclusion or a tendency toward risky or other anti-social behavior. Soft skills provide understanding of social norms, so that youth understand what society expects of them, as well as productive life skills such as managing money and utilizing social services.³⁶ Private sector companies usually see the clear benefit in including life skills in employment training partnerships. These life skills are often the key component that, when missing, prevent youth from successfully finding employment on their own.

Example: The Education for Employment Foundation (EFE) was founded on the belief that when young people have satisfying jobs and the hope of building a future for themselves, they help lay the foundation for secure and peaceful societies. Specifically targeting MENA, EFE designs tailor-made training programs that give unemployed young people the specific skills to get and keep a job. These include critical soft skills such as leadership, interpersonal communications, and successful business behavior, as well as

³⁶ World Bank (2008), Supporting Youth at Risk: A Policy Toolkit for Middle Income Countries

vocational, technical, and professional fields as accounting, air conditioner repair, land surveying, construction management, sales, and teaching. At the end of the training programs, graduates are placed in jobs that partners commit to offer before training begins. Graduates receive ongoing support through our mentoring and alumni networks.

Partnerships can increase opportunities for girls and young women

Although young women are likely to benefit from initiatives targeted at the region’s youth, specific programs for girls and young women continue to be necessary. The countries of the Middle East are failing to use the talents and abilities of the great majority of their women, creating a serious drag on the region’s economic and social development. The 2009 World Economic Forum Davos conference for the first time devoted an entire panel discussion to the importance of educating girls. The panelists agreed that educating girls yields a higher return in improving the local economy than any other type of investment. For example, an educated girl will use 90% of her future income towards her family, while boys invest only 35%. As Ngozi Okonjo-Iweala, Managing Director of the World Bank told participants: “Investing in women is smart economics. Investing in girls – catching them upstream – is even smarter economics.”

Young women are the most disadvantaged in the labor market in the region – penalized by both their age and their gender. As Dhillon and Yousef note, despite rising education levels, only half of those young women with a higher education enter the labor force, and even fewer for those with just secondary education. Those who are employed in the private sector tend to be confined to lower paid jobs whether in the formal or informal sector.³⁷



Adapted from: ILO, Global Employment Trends for Women 2008

Partnerships can also increase opportunities for women and girls to become entrepreneurs. MENA has lower numbers of women entrepreneurs than in other regions, although many of the women-owned companies that do exist in the region are quite successful. Private

³⁷ Dhillon and Yousef (2007), pp12-13

sector actors may choose to support partnerships that promote female entrepreneurship as a way to support diversity or social equity. Others may support such efforts from a more pragmatic standpoint, since women may have local social networks and local market intelligence that are valuable to the private sector.

Example: In Yemen, the local business community is partnering with the United Nations Girls Education Initiative (UNGEI) in an innovative program called “Let Me Learn” which aims to reduce the gender gap in the country’s educational system. The project includes public awareness campaigns spearheaded by the private sector partners. MTN Yemen planned to send out 1.5 million text messages to rural subscribers in the summer of 2008, urging parents to keep their girls in school. Another partner, Shamlan Water, agreed to carry an advocacy message supporting girls education on 10 million water bottles.

Example: In October 2008, the World Bank announced a high-profile partnership to promote the economic empowerment of adolescent girls in poor and post-conflict countries. The Adolescent Girls Initiative will begin in Liberia with the Nike Foundation and the governments of Liberia and Denmark as partners. The first year of activity will include expansion to Afghanistan, Nepal, Rwanda and south Sudan. The Initiative is developing partnerships with Cisco, Standard Chartered and Goldman Sachs, and has attracted celebrity supporters including internationally-known entertainers. “Today, adolescent girls in poor countries are generally better educated than they were twenty years ago, but they remain far behind boys when it comes to the workplace,” said World Bank President Robert Zoellick. “Investing in adolescent girls is precisely the catalyst poor countries need to overcome poverty. Investing in them is not only fair — it is a smart economic move.”³⁸

Example: The Sawiris Foundation, started by the founding family behind leading regional business conglomerate Orascom, identified the need to train nurses to work in upper Egypt. Working with regional governments and educational institutions, the partnership focused on training new nurses as well as building up the management capacity of the training institutions. The Sawiris Foundation’s approach is unique in that it first identifies employment opportunities that lack qualified candidates, and then obtains employers’ commitment that they will hire graduates that successfully and satisfactorily complete training courses.

Example: The Nike Foundation has launched an initiative called The Girl Effect, focused on encouraging investment in programs for adolescent girls. The Girl Effect’s launch in 2008 focused on funding eight programs that the group thought held particular promise for girls, including an innovative alliance to provide entrepreneurship training to girls in Kenyan slums, a microfinance program for girls in Bangladesh, and an innovative program in Ethiopia that provides economic incentives for families to keep their daughters in school.

Partnerships can provide improved and more effective access to technology

CSR partnerships can address equity issues by increasing access to technology and ensuring that its use is effective. The “digital divide” has long been cited as an obstacle which can constrain both human and economic development. Those on the “have” side of the digital divide, who regularly use technology in education, leisure and professional

³⁸ World Bank press release October 10, 2008

endeavors, can reap the benefits of a networked and wired world that are impossible for those without access. While early efforts to address this divide focused on the penetration rates for personal computers, “technology access” today implies consideration of a much wider range of issues, including hardware, software, internet connectivity, wireless networks, mobile telephones, content, applications and their platforms, and technical support.

Many recent technology initiatives have also evolved from focusing solely on computer access to efforts that can use technology as a tool for a wider policy objective. Often, access to a technological device itself is no longer the end goal, but rather a part of a program to improve public service. According to a 2007 report by the Economist Intelligence Unit, some governments have focused on using technology to eliminate more narrowly-defined divides in their societies, such as generational, gender-based, regional, health-based, and others.³⁹ A wider benefit of such programs is creating technologically literate “e-citizens” who use technology to communicate and create links with a wide range of economic, social and governmental actors.

Private sector technology companies are often willing to participate in such alliances if the activities complement core business activities in addition to public service or philanthropic goals, and may contribute a combination of hardware, software, training, connectivity or technical support. Companies may see such partnerships as a way to develop relationships with the public sector, increase market share or exposure, or test a new product or service.

“There’s no logical reason why the private [and] the social sector should operate on separate levels... If we can unleash a new entrepreneurial, collaborative kind of philanthropy, we can create new patterns that will help reshape the entire system – combining the innovation of the business world, the passion and humanity of the non-profit world, and the inclusive, networked culture of the digital world, to generate transformative change.” - Steve Case, co-founder of America Online (AOL) and chairman of the Case Foundation

Source: Index of Global Philanthropy 2007, Hudson Institute

Example: The Egyptian Education Initiative, launched in 2006, brings together private sector actors and the Government of Egypt in a collaborative effort to reform the country’s education system. At the end of 2007 the partnership included eight multinational corporations (including IBM, Intel, Siemens and Cisco), and nearly 30 local companies. The partnership involved physical infrastructure projects, as well as technology training for teachers, administrators, students and parents. Dr. Hoda Baraka, Egypt’s First Deputy to the Minister of Communications and Information Technology, said of the project, “We train supervisors and school heads not only on ICT skills, but the use of ICT in school management, class management, problem solving and decision making. We are implementing tools that encourage critical and analytical thinking, and encouraging competition. This is where the private sector has experience and expertise.”⁴⁰

³⁹ Economist Intelligence Unit (2007) Wiring Up: Technology-Led Development in the Emerging World.

Economist Intelligence Unit White Paper (sponsored by Microsoft and AMD), p5

⁴⁰ Ibid, p6

Example: The United Nations Development Program (UNDP) launched the ICTDAR initiative in 2003, focused on using technology to reduce poverty, improve public sector administration, and support growth in the private sector. In each country where it is active, ICTDAR has created partnerships with technology companies. For example, in Morocco, ICTDAR partnered with Microsoft to pilot a program to empower micro, small and medium-sized enterprises (MSMEs) by providing access to and training on using technology in the renewable energy sector.

V. Partnerships can support economic growth:

Partnerships can support economic growth by focusing on competitiveness issues

The region faces challenges in terms of competitiveness. According to the World Economic Forum's 2008-2009 Global Competitiveness rankings, half of the regional countries rated had slipped lower in the ratings from the 2007-2008 report, even before the current crisis began to affect the region. In particular, Algeria, Morocco and Turkey each fell at least nine spots in the rankings of 130 countries. The rankings assess 90 variables covering twelve issues that affect productivity and thus competitiveness, including institutions, infrastructure, macroeconomic stability, health, primary education, and others.

The latest Arab World Competitiveness Report, published in 2007, also raises areas of concern regarding competitiveness. Even the most competitive countries within the region (Qatar, UAE, Kuwait, Bahrain), rank near the bottom of their peer group when compared internationally, perceived as lacking innovation and business sophistication which are critical to the sustained competitiveness of advanced economies.

Interestingly, similar rankings are to be found in the Responsible Competitiveness Index (RCI), reinforcing the point that responsible business practices can and do reinforce competitiveness at country level. The index, developed by AccountAbility in association with Brazilian business school Fundaçao Dom Cabral, explores which countries "are building competitiveness strategies which take explicit account of their social and environmental impact."⁴¹ The index relies on 21 indicators from established independent sources, and combines those with hard data and opinion-based findings to create the rankings, which, at their core, answer the question of whether the markets reward business for taking explicit account of social and environmental impacts. The results in the 2007 RCI demonstrate a close correlation between countries' responsible competitiveness and their economic strengths. There is a strong correlation between the RCI and the WEF Growth Competitiveness Index and with the World Bank's Doing Business index, suggesting that countries that are leaders in terms of responsible business practices are more competitive.⁴²

The RCI is limited to 108 countries at present, and includes only a limited number from the MENA region, in part reflective of the quality and range of data available for the region. Of the 108, the United Arab Emirates is ranked highest from the Arab countries at 29th, followed by Jordan and Turkey at 50th and 51st respectively and Egypt at 67th. These results suggest that even those countries in the region that have started to recognize

⁴¹ AccountAbility, The State of Responsible Competitiveness 2007, p34

⁴² Ibid, p23

that responsible practices can boost competitiveness, are more at the middle stage of seeking to comply with international standards so as to gain and maintain access to global supply chains. This strategy is not yet at the more advanced stage that would proactively build a responsible brand or firmly embed considerations of inclusive and sustainable practices in corporate, as well as government and civil society, decision making.

In this context, partnerships – even those explicitly CSR related - can be effective tools to strengthen overall competitiveness. Partnerships can support competitiveness initiatives focused on training workers (both on job skills and “life skills), on improving the efficiency of existing industries or value chains, or on improving governance and transparency issues, all of which would have an effect on the competitive position of an industry, a region or a country.

Partnerships can build employment skills

As discussed in the context of increasing opportunities for women and youth, increasing employability also has important consequences for economic competitiveness at national and regional level. Studies done by the World Bank and others have shown that multinational companies, when selecting a country in which to make a productive investment, rate as extremely important the skills and productivity of the workforce. An unpublished World Bank competitiveness assessment ranked workforce skill and productivity as more important in selecting an investment location than a country’s political stability, access to raw materials or perceived level of corruption.⁴³

Private sector firms are often interested in collaborating on projects that focus on imparting job skills and job-related knowledge to youth, the unemployed or those in transition between school and work. Partnership activities can provide training on specific skills that will increase the participants’ opportunities for employment, many times directly with the private sector partner that has joined forces on project activities. If designed through rigorous market assessment to identify skills needed by local companies, these kinds of partnerships could directly address the “missing link” between the region’s education systems and the skills needed by the private sector.

As noted in the youth examples cited previously, employment skills partnerships sometimes include features such as offering internships or job shadowing opportunities, to provide youth with practical job experience. Job placement and career counseling are also common features. In addition, these types of partnerships commonly include components to build the soft skills/life skills, which are designed to improve participants’ ability to interact with clients and co-workers, communicate effectively on and off the job, and manage many other aspects of adult life and active citizenship.

⁴³ World Bank / FIAS (2007) Vietnam’s Apparel Sector: Buyer Survey Results. Unpublished report.

What are life skills?

A partial list of “Life skills” concepts from a partnership between Nokia and the International Youth Foundation

Creative thinking – The ability to develop original ideas and/or innovative solutions

Critical thinking – The ability to evaluate information and situations and question what is generally accepted

Decision-making / Problem-solving – The ability to gather information and assess options in order to make informed choices

Self-confidence – The quality necessary to believe in one’s abilities, accept one’s weaknesses, and respect one’s own background

Communication and interpersonal skills – The ability to express oneself effectively, to understand others, and to respond appropriately to different people in different situations

Conflict management – The ability to look for a common solution in a sensible, fair, and efficient manner and to embrace different perspectives

Cooperation / Teamwork – The ability to work collectively to achieve a common goal and to compromise when needed

Managing one’s emotions – The ability to deal with one’s feelings and to express them in a responsible manner (also referred to as “emotional literacy”)

Contribution (civic values) – The ability to look beyond yourself and to effect change in the larger community

Responsibility – The ability to set and achieve goals and to be accountable for one’s actions

Source: International Youth Foundation website, 4 February 2009

<http://www.iyfn.org/document.cfm/815>

Example: The Entra 21 partnership is good example of a successful collaborative effort that focused on youth employment. The project, supported by the Inter-American Development Bank, the U.S. Agency for International Development (USAID) and other donors, was implemented in 18 countries in Latin America and the Caribbean. Entra 21 worked closely with partners like Lucent, Nokia, Microsoft and Merrill Lynch, as well as many local companies, to identify the job skills needed in each local market. One early assessment of results found an 89% completion rate and 51% job placement success after completion of the course. The employers rated the graduates life skills as 4.3 out of 5, and technology skills as 3.6 out of 5.⁴⁴

Example: In Jordan, a collaborative partnership is providing specific employment skills for Jordan’s tourism sector. The Government of Jordan and USAID are partnering with the local hotel industry to improve the Jordan Hotel School, which offers a two-year program to high school students.

Partnerships can improve the efficiency of existing industries or value chains

Private sector companies may also collaborate in partnerships that aim to improve the efficiency of an existing industry, or that seek to integrate MSMEs into productive value chains. Often such partnerships will work with business or producer associations to improve infrastructure, enhance product quality or adherence to standards, gain market

⁴⁴ World Bank (2006) Youth Development Notes, Preparing Youth for 21st Century Jobs: Entra 21 Across Latina America and the Caribbean

access, share new technology, provide access to finance, or utilize other resources of the private sector to improve the competitiveness of the entire value chain.

These types of partnerships are particularly effective in agriculture, where it is common to find numerous small producers and farm laborers that may be excluded from the formal market. Even for smallholder farmers that do participate in formal market arrangements, many struggle to be competitive or even commercially viable. A host of obstacles, including poor infrastructure, lack of market information, incomplete understanding of consumer demand and outdated production methods can keep farmers from taking full advantage of market opportunities. Small farmers are also highly susceptible to risk, and thus, depending on their situation, may be less likely to make investments in expanded production or new products.

The private sector, on the other hand, may participate in partnerships to improve value chains because they recognize the untapped potential that could be realized through strategic and collaborative engagement. Companies may find business incentives to collaborate in improving competitiveness, such as increased profits, more reliable or cost-efficient supply chains, or increased linkages with new producers.

Example: Nestle S.A. saw the benefits of collaboration on improving the coffee value chain in Mexico. Working with a Mexican government agency that focused on agricultural development, Nestle's agronomists trained local farmers on better field care and bean harvesting techniques, and on post-harvest issues like processing, sorting, grading and transport.

Example: In Egypt, the H.J. Heinz Company (a producer of tomato sauce, ketchup and other food products) joined forces with the Egyptian government and USAID to increase production on part of the country's tomato value chain. By collaborating on such issues as appropriate technology, improved information flows, better coordination of the production chain, and developing business providers in production, processing and marketing, the partnership was able to improve the production capabilities and profitability of more than 3000 farmers.

Partnerships can collaborate on governance or/ transparency issues that affect competitiveness

Partnerships can be organized around improving transparency and other governance issues which affect perceptions of a country's competitiveness or desirability as a location for investment or business activity.

Example: Microsoft has developed a new initiative focused on e-government, which collaborates with government agencies to design public-private partnerships that include accessibility to computers, but within the context of a providing a government service that is relevant to a certain population. For example, in Argentina Microsoft worked with the Social Security Administration to design a program to improve the lives of senior citizens. The partnership offers low-income seniors affordable access to a computer or computer center, with features that allow them to access government and health services online.

Example: In Angola, USAID, Chevron, CARE, Save the Children and other partners worked together on the Municipal Development partnership to support the government's

decentralization efforts. The partnership offers technical assistance, training and funding for the construction or rehabilitation of community infrastructure and governance systems, many of which was destroyed in civil conflict.

Partnerships can support economic growth by building the capacity of small businesses and entrepreneurs

SMEs provide the vast majority of jobs in most economies. In addition to job creation, there are other reasons why public sector institutions should support a robust and vibrant SME sector, including the fact that SMEs integrated into the formal sector contribute to tax revenue and to social stability. Research from the International Finance Corporation, the private sector arm of the World Bank, finds a positive correlation between a country's level of income and the number of SMEs per 1,000 inhabitants.⁴⁵

Large private sector companies may be interested in collaborating on activities designed to strengthen the SME sector for a variety of reasons. SMEs know local conditions, suppliers and consumer demand, and may be able to effectively distribute a product outside of a company's formal distribution network. As described above in the discussion of value chain improvements, improved links with SMEs can make a supply chain more transparent and reliable. SME partnerships often are developed to improve general business management skills, to provide training and support to entrepreneurs, and to ease access to finance.

Business management skills

Partnerships can form around the need to provide business management skills for entrepreneurs and others.

Example: In 2008 the Goldman Sachs Foundation launched the 10,000 Women Project, to invest in "the exponential power of women as entrepreneurs and managers."⁴⁶ The project partners with universities in the U.S., Europe and developing countries to provide short, focused business skills training to women. In addition, the initiative will partner with development organizations to offer business mentoring and establish supportive business networks that are relevant to local economic conditions, with the goal of expanding economic opportunities for women.

Training for entrepreneurs

Partnerships are a productive way to provide training for entrepreneurs, who can benefit immensely from direct private sector engagement.

Example: In Saudi Arabia, the Centennial Fund is working closely with Youth Business International as well as local companies and banks to support young entrepreneurs from disadvantaged backgrounds. Each participant is paired with a business mentor, and

⁴⁵ IFC (2006) Micro, Small, and Medium Enterprises: A Collection of Published Data, in Newberry, Derek, 2006. The Role of Small- and Medium-Sized Enterprises in the Futures of Emerging Economies, Earth Trends 2006. World Resources Institute under a Creative Commons License

⁴⁶ Goldman Sachs Foundation press release March 5, 2008, <http://www2.goldmansachs.com/citizenship/10000women/press-releases/2008-03-05-launch.pdf>

receives training and business advice over the first few years of activity. YBI is also active in Syria, where its activities are supported by the government's Fund for the Integrated Rural Development of Syria.

Example: The Intilaaqah program, active in Oman, Abu Dhabi and Egypt, is part of Royal Dutch Shell's LiveWire initiative, which seeks to educate young people about the career option of becoming an entrepreneur. In Oman, in addition to involving local companies as mentors and supporters, Intilaaqah has partnered with the government in its efforts to diversify the economy and reduce youth unemployment.

Despite the success of individual partnerships, core capacity building is still greatly needed in the region, particularly targeted to women entrepreneurs. Unfilled needs cover a range of activities, from basic business skills through to CSR approaches. There are existing programs to build on. For example, the International Finance Corporation offers business trainings on such topics as access to finance, and has combined with WBI to offer training on CSR to associations of women entrepreneurs, but such efforts could benefit from being further targeted to the MENA context specifically.

Access to finance and financial products

Both small business and entrepreneurs are often held back by the lack of access to capital. By combining the expertise and resources of both public and private sector institutions, CSR partnerships can address this issue in ways that are perhaps more comprehensive than services offered by a traditional microfinance institution.

Example: The Al Tomooh program in the UAE joins the network and training expertise of the Dubai Chamber of Commerce and Industry and the Dubai Department of Economic Development with the financial resources of Emirates Bank. Participants are provided with skills training along with start-up financing, and are strongly encouraged to cross-link business activity with other program entrepreneurs.

VI. The Way Forward:

A variety of drivers offer strong motivation for the private sector to find value in inclusive and sustainable approaches – be it increased efficiencies, reputational benefits, access to export markets, expanding the internal market and or being better able to meet environmental constraints. In sum, CSR becomes a competitiveness issue. At the same time, it becomes a development issue, as markets that do not value sustainable approaches will reinforce negative outcomes for society and hamper equitable development.

As the great variety of partnerships referenced in this paper attest, there are many promising initiatives underway in the MENA region that are promoting more inclusive and sustainable forms of private sector development and helping address priority development challenges, such as creating economic opportunities for youth and women, and supporting innovation and technology uptake. There are also many promising examples from other regions, some of which have been highlighted in this paper, that leaders in MENA can learn from.

CSR is gaining traction as a concept and in application, but many corporate level undertakings still emphasize philanthropy. If inclusive and responsible business practices

are to become more embedded, they must be seen as locally relevant and locally owned, not as a foreign model imposed by multinational firms or international donors. CSR must be valued by local stakeholders. In this context partnerships are proving an invaluable tool to help build capacity for CSR approaches, to leverage skills and resources beyond the local private sector, and to provide a space for experimentation with new models in the MENA context that foster local ownerships of initiatives.

While today's partnership efforts show real promise, there remain many constraints to promoting inclusive and sustainable business practices. Some reflect the broader private sector development constraints – the limitations on private ownership and of a nascent civil society, plus the harsh economic climate currently undermining growth. Others are more specific to CSR. In particular, there remain clear needs for additional research, awareness raising and capacity development.

Additional research into inclusive and sustainable business models and how CSR is applied in the MENA region is urgently needed. Academic coverage of this topic is anemic at best. The CSR literature in relation to non-OECD countries tends to consist of case studies and anecdotal accounts, and to be focused on a few select countries – notably the largest emerging markets of India, China, South Africa, and Brazil. More local examples and more empirical research are needed that can then inform the business models, ensure their relevance to regional priorities, and help map possible trajectories for private sector development at the country and regional levels.

More awareness raising is required across the region with the range of stakeholders to build understanding of strategic CSR concepts, going beyond philanthropy. Above all local business leaders must recognize a business case to consider more inclusive and sustainable models as reinforcing firm level competitiveness. At the same a case must be made to government and society more broadly to value CSR partnerships with the private sector as reinforcing national competitiveness and development. One recent survey in Egypt noted that the private sector was generally interested in collaboration, but did not partner with other actors because they had never been approached, did not know what other groups were doing, and were unsure of how to ask for collaboration.⁴⁷

Capacity development should be scaled up to equip the local private sector with the skills and knowledge to develop CSR strategies and promote CSR approaches as a tool for comparative advantage. Nor should capacity building be limited to private sector actors. Mainstreaming inclusivity and sustainability will require deep innovations not just in business strategy and practice, but in the broader market framework. Hence it is important to enhance the capacity of government and even civil society to create an enabling environment for inclusive and sustainable business, recognizing its value both in terms of competitiveness and development. Government in particular has the means to adapt legislation and regulations to support inclusive and sustainable practices, and to nurture innovative approaches. Government can mobilize institutional and financial resources, but perhaps even more importantly, can turn a spotlight on business practices, seek a constructive relationship with the private sector, and lend legitimacy to more inclusive and sustainable models.

⁴⁷ Egyptian Ministry of Investment, UNDP (2007) Business Solutions for Human Development, p64

The capacity development process should include greater knowledge exchange and linking of practitioners in peer networks. Companies will learn most effectively from other firms that have been successful within similar contexts in a process of South-South learning. There is potential for greater intra-regional collaboration that can go beyond regional conferences to skills building and detailed sharing of best practice, ideally with local institutions taking the lead. Business associations might provide an important linking role – offering access to resources and mentoring to their members. They might build on the efforts of those business groupings that already have a CSR-related mandate, such as the Arab Sustainability Leaders Group. Similarly, the research and capacity building processes would become more sustainable if involving local universities and business schools.

Of course, even with private sector commitment and government support, CSR and partnership approaches are no replacement for more traditional private sector development approaches. Reforms to encourage investment and ease the costs of doing business are the foundations for business growth – whether inclusive and sustainable or not. That agenda remains the priority, but CSR can play a useful complementary role. In that regard, the MENA region can strengthen its position with in an ever more competitive global market place. As Mr. Charles Moore, Executive Director of the Committee Encouraging Corporate Philanthropy, notes there appears to be a new “competitive market in corporate citizenship.”⁴⁸ It is important that firms in the MENA region not be left behind.

⁴⁸ The Economist, Companies with a heart, February 26, 2008. Online: <http://www.economist.com>

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Annex 1: Current concepts and terminology

Inclusive Business. A term that is replacing sustainable and responsible business, with less ethical connotation and embracing wider concepts, including creating opportunities for the poor. Piloted in Latin America by the World Business Council for Sustainable Development and Netherlands Development Organization SNV, the inclusive business concept is now central to UNDP's Growing Inclusive Markets Initiative. UNDP defines it as 'business models that create value by providing products and services to or sourcing from the poor, including the earned income strategies of non-governmental organizations.

Creative Capitalism. A term popularized by Bill Gates at the World Economic Forum in 2008, as capitalism that works both to generate profits and solve the world's inequities, using market forces to better address the needs of the poor, and now debated more fully in the book of the same name.

Base of the Pyramid (or Bottom of the Pyramid) refers to the market comprising billions of poor consumers. C.K. Prahalad argues that companies investing in innovation to reach BOP consumers can deliver profits and reduce poverty. Some goods and services directly enhance livelihoods or productivity (finance, health care) and some are more routine consumers goods, offered at affordable prices. This concept has since been expanded and further clarified by a number of academics and practitioners – including by Petkoski, Rangan and Laufer in the World Bank Institute's recent *Business and Poverty* publication - to go beyond examples of business engagement with the poor as consumers to models engaging the poor also as producers and distributors.

Responsible business, sustainable business, corporate responsibility, and corporate social responsibility are terms used to generally describe business practices built around social and environmental considerations. Consistent definitions are missing and much debated. But they increasingly look to fundamentally change the way businesses deal with social and environmental issues as part of core business and beyond philanthropy.

Shared Value. Creating Shared Value is an approach to CSR based on the interdependence of corporate success and social welfare, highlighted by Michael Porter and Mark Kramer in Harvard Business Review in 2006.

Social business is described by Muhammad Yunus in his new study of the topic as business that makes profits but reinvests them in the business, whose primary purpose is to help the poor. Similarly, 'social enterprise' describes any non-profit, for-profit or hybrid corporate form that utilizes market-based strategies to tackle a social and/or environmental need.

Social intrapreneurship is a term shaped by SustainAbility to characterize corporate changemakers or social entrepreneurs within big business: 'This species often works against the corporate status quo to deliver new market solutions, aligning business value with some of the sustainability challenges facing society today.'

Ethical Trade, as defined by the Ethical Trading Initiative (ETI) ‘tries to ensure that decent minimum labor standards are met in the production of the whole range of a company’s products.’ The ETI Base Code, incorporating conventions of the International Labor Organization on labor standards, is applied not only to direct employees of signatory companies, but throughout their supply chains. In contrast, Fairtrade is primarily concerned with the trading relationship with small producers in the South, ensuring they are paid a decent price that at least covers the true costs of production, despite often serious fluctuations in world commodity prices.

Adapted from <http://www.odi.org.uk/resources/odi-publications/background-notes/2009/harness-core-business-development-private-sector.pdf>

Annex 2: Regional Comparison of the Private Sector's Role in Society

	American Context	European Context	MENA Context
Economic Responsibilities	Corporate policies with regard to “good governance”, “remuneration”, or “consumer protection”. <i>Market driven</i>	Legal framework codifying corporate constitution, minimum wage, sector-based legislation and regulations. <i>Institutionalized</i>	Corruption, Unregistered/Informal economy, unfair competition, tunneling, minority rights, disclosure, manipulation and insider trading. <i>Needs to be institutionalized since markets are largely inefficient.</i>
Legal Responsibilities	Relatively low level of legal obligations. <i>Market driven</i>	Relatively high levels of legislation on business activity. <i>Institutionalized</i>	Enforcement, enforcement, enforcement <i>Laws need to be enforced and market forces should be able to act, balanced view.</i>
Ethical Responsibilities	Corporate policies with regard to local communities. <i>Individual Choices</i>	High level of taxation in connection with high level of welfare state provision of public services. <i>Corporate Codes</i>	Voluntary practices of better treatment of employees, customers and minority shareholders, protecting the environment, obeying the law. <i>Education and awareness, wait and see.</i>
Philanthropic Responsibilities	Corporate initiatives to sponsor art, culture, or fund education. <i>Widely present</i>	High level of taxation sees governments as the prime provider of culture, education, etc. <i>Limited</i>	Filling the gap, supporting education, health care, etc. where the public funds are limited. <i>Altruistic traditions</i>

Source: Ararat, Melsa, Corporate Social Responsibility Across Middle East and North Africa, World Bank Working Paper. April, 2006

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