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Corporate Social Responsibility (CSR) for Social Development in Arab States

Dr. Dima Jamali*

Given the advent of globalization and the increasing prominence of the global corporation phenomenon, [under the umbrella of Corporate Social Responsibility (CSR)], corporations have moved into areas of activity once considered to be outside the realm of profit such as safety, healthcare, education, or environmental protection (Matting and Crane, 2005; Scherer and Palazzo, 2008). Increasing concern with CSR arises in a context when the functioning of the market, the state and civil society and the boundaries between them are all shifting. Though business social responsibilities may have ebbed and flowed as governmental powers have waxed and waned, governmental involvement is certainly key in catalyzing CSR and promoting its relevance in any specific context (Albareda et al., 2008; O’Laughlin, 2008).

1. CSR in the relational State’s framework

Although market forces (consumers, producers and other stakeholders) are increasingly pressing companies to act responsibly, markets have not succeeded in prodding all corporations to fulfill moral obligations everywhere and every time they operate (Aaronson, 2005). Market forces have also not rationalized the plethora of opportunities for voluntary approaches to promote CSR around the world, including codes of conduct, certification strategies and reporting requirements (Aaronson, 2005).

The concept of the “relational state” (Mendoza and Vernis, 2008) helps policy-makers easily locate the relations between the public and the private sphere – between the state and society – in the field of co-responsibility. This implies the recognition of interdependencies, and the identification of common interests and objectives among different societal actors in pursuit of CSR. In other words, governments need to proactively explore, assess, and eventually engage in opportunities for collaboration both within and outside the public sector to jointly address social issues.

* Dima Jamali is Professor and the Chair of the Management, Marketing and Entrepreneurship Track in the Olayan School of Business (OSB), American University of Beirut (AUB). She holds a PhD in Social Policy and Administration, from the University of Kent at Canterbury, UK. Her research / teaching revolve primarily around Corporate Social Responsibility (CSR). She is the author of over 40 international publications focusing on different aspects of CSR in the Middle East, all appearing in highly reputable journals including British Journal of Management, Corporate Governance: An International Review, Journal of Business Ethics, and Business Process Management. She worked as expert consultant for the United Nations on Social Policy and CSR as well as projects funded by the World Bank, the US Agency for International Development, NGOs, and other regional public and private firms.

* Dima Jamali presented a research paper entitled as “The Role of Governments in CSR: Implications for Arab States” in a regional research meeting on “The Role of the State in Social Development” (Beirut, Oct. 1-2, 2009), jointly organized by UNESCO Beirut, Arab Sociological Association and Doha International Institute for Family Studies and Development at Qatar Foundation.
2. Governments’ roles and challenges
CSS policy in theory would function ideally as a built-in, self-regulating mechanism, whereas in practice CSR will only thrive in the context of a consistently applied and enforced set of minimum environmental and social standards and the right mix of policies from governments.

Governments are thus expected to play four key roles (Fox et al. 2002): mandating (legislative), facilitating (guidelines on content, fiscal and funding mechanisms, creating framework conditions), partnering (engagement in multi-stakeholder processes, stimulating dialogue) and endorsing (publicity). Throughout these roles, they can switch gears as they deem appropriate, between soft incentives and hard regulation.

Forms of soft law or soft incentives can range from private and voluntary codes, to certification and labelling schemes to transparency or reporting guidelines. Soft laws, as appealing as they may sound, often lack the legitimacy and enforcement mechanisms of hard law. On the other hand, the problem with the regulatory or hard approach is that the private sector may switch to a box-ticking or compliance mode without genuine commitment or concrete substance, gradually compromising the voluntary character of CSR, indeed one of its hallmark, defining features.

The central challenge for governments’ progression is the question of how to more effectively manage the costs and benefits of business activity and to foster business engagement in national policy processes. In other words, governments need to identify various forms of intervention that can more effectively harness the strengths of the private sector and can also foster alignment between CSR strategies and the pursuit of overall public policy goals.

The real challenge is to deploy the right types of soft/hard incentives and cross-sector partnerships that serve the public interest; and to create a stimulating and enabling environment for businesses to create long-term added social value.

Table 2. Public Sector Roles Relevant in the Context of CSR (adapted from Fox et al., 2002)

<table>
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<tr>
<th>Role and Description</th>
<th>Implications/ Examples in relation to CSR reporting</th>
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<tr>
<td><strong>Mandating</strong></td>
<td>Command and control type legislation associated with legal and fiscal penalties and rewards</td>
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<td></td>
<td>Defining minimum standards and establishing targets; establishment of enforcers and inspectorates; supporting citizen legal action [e.g.] Mandatory reporting</td>
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<tr>
<td><strong>Facilitating</strong></td>
<td>Enabling; funding; supporting; raising awareness; stimulating</td>
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<td></td>
<td>Tax incentives and penalties; ensuring access to information; promoting understanding of good practice; encouraging voluntary initiatives [e.g.] Guidelines for voluntary reporting and informal incentives</td>
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<tr>
<td><strong>Partnering</strong></td>
<td>Combining resources and promoting multi-stakeholder engagement</td>
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<td></td>
<td>Working with businesses and civil society organizations to identify common projects, pool resources, build capacity and undertake CSR projects [e.g.] Engaging in multi-stakeholder dialogues relating to effective CSR reporting in the national context and identifying viable partnership projects</td>
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<tr>
<td><strong>Endorsing</strong></td>
<td>Political support as well as publicity and praise</td>
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<td>Publicizing leading corporate givers; endorsing metrics and indicators; supporting civil society initiatives [e.g.] Public recognition for reporters and supporting instruments for peer pressure</td>
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3. Regional Approach to CSR
What are the opportunities for CSR in the Arab region?

Arab state governments seeking to promote CSR need to focus on the following:
- Undertaking a country-specific assessment of CSR, which maps out existing drivers and constraints in the local context;
- Stimulating a more direct and in-depth engagement of the private sector in public policy processes;
- Creating an enabling policy environment for CSR, promoting business activity to minimize environmental and social costs;
- Defining clear policy frameworks to promote CSR;
- Building the basic good governance characteristics of attractive investment locations, including freedom from corruption, effective administration of tax systems, regulatory certainty, and an effective judicial system.

Box 1: The 2nd Arab Forum of Ministers of Social Development (Amman, 2008)

The Declaration of Amman, a fruit of exchanges and discussions at the Arab Forum of Ministers of Social Development, attended by representatives from 16 Arab countries suggests a regional approach to promote CSR:

- In line with the values, traditions and cultural heritage of the Arab States, emphasizing the importance of “Waqf” (endowment) as a tool to raise awareness of the importance of CSR
- Creating indicators in the field of CSR that are in line with the international principles established by the United Nations, which ultimately provide essential criteria to evaluate institutional performance
- Highlighting the need for sharing experiences between Arab countries that could be used as a basis for real partnerships at the local and regional level.

Box 2: Lessons learnt from “Saudi Arabian Responsible Competitiveness Initiative”

The Responsible Competitiveness Initiative launched in Saudi Arabia aimed at helping individual companies integrate responsible business practices into their core business operations, and to improve their performance in a number of key environmental, social and governance areas.

- “Company by company” analysis, benchmarking and shared learning are the tools used to improve the internal operations as well as Responsible Competitiveness Index.

The Saudi Arabian General Investment Authority (SAGIA) assumed partnering, facilitating and endorsing roles, working closely with local and international partners on promoting increased dialogue, information sharing, mutual understanding and increased visibility relating to CSR.
Box 3: To know more about relevant initiatives in the region

- MENA Thematic Group on Strengthening Responsible Corporate Citizenship in the MENA Region
- CSR Middle East (www.csrmiddleeast.org)
- CSR Summit (www2.iirme.com/csr)
- Dubai Ethics Resource Center, (www.dubai-ethics.ae)
- Dubai Center for Corporate Values, (http://www.cse-net.org/Contents.aspx?CatId=82)
- The Dubai Center for Sustainability and Excellence;
- The Center for International Private Enterprise (CIPE) (www.cipe.org)

References