

The CSR Navigator

Public Policies in Africa, the Americas,
Asia and Europe



Egypt¹

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Public Policy Rationales

- Build upon traditional values while establishing modern economy
- Promote local export-oriented business

Public Policy Activities

- Soft law: Endorsing OECD guidelines and ISO standards, implementation of corporate governance codes for state/nonstate companies
- Partnering: Numerous PPPs in the field of community development
- Awareness raising: Capacity building and communication on international standards

Public Policy Actors

- Environmental Protection Fund (EPF)
- Egyptian Institute of Directors (EIoD)
- National Council for Childhood and Motherhood (NCCM)

CSR-Relevant Context Factors

- 📈 Export-oriented market economy and increasing level of integration into global economy
- 🏠 Low levels of democracy and government capacity for law enforcement and implementation
- 👥 Highly important traditional values such as culture of giving influenced by strong religious beliefs and a strong role of religious organizations
- 🗳️ Low level of political participation of societal actors, especially NGOs



■ Executive Summary

Profiling CSR

Egypt is as an Arab republic with a democratic socialist system. It is in economic transition from a centrally planned economy to an export-oriented market economy and has a nascent importance at the global economic level. After centuries of subordination to foreign rule and a struggle for independence, the modern Egyptian state is the product of a historically rooted political and religious culture and of the state-building efforts of its modernist founding leaders, Gamal Abdul Nasser and Anwar Al Sadat. Long-standing traditions of centralized government have persisted into modern times, but Egyptian society is also characterized by its efforts to foster a strong national identity. Religious beliefs, in particular Islam, have had a notable influence, as have

the tradition of giving back to society and the values that stem from it.

CSR in Egypt is an emerging phenomenon and is understood mainly as a philanthropic concept. The most important public authorities involved in CSR-related issues are the *Environmental Protection Fund (EPF)*, the *Egyptian Institute of Directors (EIoD)* and the *National Council for Childhood and Motherhood (NCCM)*. However, these and other ministries have not yet coordinated their respective activities. So far, there is no explicit CSR public policy, but, due to the presence of a strong state, numerous laws and regulations do exist pertaining to corporate governance, consumer protection and reporting and environmental issues. There are also a number of PPPs, mainly in the field of community development and awareness raising of international standards and guidelines.

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In view of Egypt's economic reform agenda and its strong culture of philanthropy, CSR policy is in accord with traditional values and is inspired by the Islamic and Christian faiths, especially in the field of philanthropy. Aimed at strengthening the local economy, which is dominated by SMEs, CSR is beginning to gain global momentum.

Navigating CSR

Egypt's public policy maturity in the field of CSR is assessed as being in the first generation and moving towards the second generation. The term CSR has not yet taken hold in any public sector agencies; discussions around the concept are still at the conceptual level and attempts to promote it are hindered by a number of factors, such as the existence of high bureaucratic barriers and a systemic lack of law enforcement.

CSR public policy development in Egypt would benefit first from the development of a coherent understanding of the concept by the government, taking into account existing philanthropic and religious values and structures, which provide an enabling environment. Second, CSR public policy would further benefit from institution-

alizing dialogue between state, business and societal actors regarding the understanding and potential of CSR for Egypt's overall development. The importance of the role of the NGO sector in particular, which after long decades of state-control has just recently been revitalized, could thus be underscored. The implementation of public policy is a greater challenge in this context. In order for existing policies to be effective, societal cooperation and the willingness to work in cross-sectoral partnerships to create synergies and foster mutual trust needs to be enhanced. Given Egypt's strong legislative drives but evidence of poor implementation and enforcement, in the future greater stress will have to be put on voluntary agreements.

CSR Public Policy Maturity Levels

Late first generation:

- CSR public policy is in the process of development
- Low level of strategy development, no coordination
- Some activities are in place, mostly regarding corporate governance and quality management; some PPPs in the field of community development
- Stakeholders are not taken into consideration
- The level of communication is low, evaluation does not take place

CSR Recommendations

- Coherent and modern CSR understanding and strategy, based on philanthropic and religious traditions, should be developed
- Implementation is recommended that stresses voluntary initiatives and incentives more than mandatory obligations
- Civil society organizations should be enhanced and involved
- Creating greater cross-sectoral CSR dialogues between state, business and civil society should be considered



■ CSR-Relevant Context

Political, Social and Economic System

Egypt's constitution defines the country as "an Arab republic with a democratic, socialist system." Political power is shared by the president, cabinet, legislature and court system, but the president is constitutionally the center of power. The president is elected by referendum for a period of 6 years and has the power to appoint, dismiss and dissolve the other three elements of the system. Egypt is divided into 26 governorates, each headed by a governor who is appointed by the president. Within their districts, local government units establish and manage all public utilities, provide services and designate industrial areas.

Modern Egypt is the product of a historically rooted political and religious culture and of the state-building efforts of its founding leaders, Gamal Abdul Nasser and Anwar Al Sadat. Egypt's centuries of subordination to foreign rule, its long struggle for independence and its continuing dependency on other countries has generated a powerful sense of nationalism that continues to frame its politics. The 1952 revolution against the traditional monarchy, led by Gamal Abdul Nasser's group of nationalist-reformist Free Officers, gave birth to the contemporary republic. Nasser forged the new state, suppressing the rudiments of pluralism and creating a president-dominated, military-led authoritarian-bureaucratic regime with a single party and a subordinated parliament, press and judiciary. While retaining the essential structures of the Nasserist state, Nasser's successor, Anwar Al Sadat, carried out limited political liberalization and an economic and diplomatic *infitah* ("opening" or "open door") to the West. The current president, Husni Mubarak, has consolidated Sadat's policies of limited political liberalization and pledged continuation of economic reforms.

The political system is based on a multiparty system, although the formation of religious-based political parties is legally prohibited. The National Democratic Party currently holds the majority of seats in the People's Assembly.² Today, Egypt is politically stable, but has experienced much unrest in recent years. One of the challenges it faces is the rise of the Muslim Brotherhood, which captured a fifth of parliamentary seats in the 2007 elections. Government harassment of the group

has intensified, with hundreds of members having been arrested.³ A further reason for unrest is the recently announced democratic modernization that Mubarak wants to push forward, even though campaigners for reform have been arrested. Political and social unrest is also reinforced by weak regulatory and legal mechanisms. Due to low levels of transparency and accountability, the enforcement of laws related to issues such as human rights, environment protection, labor wages and employment is especially weak. However, the government has tried to respond by implementing a wide array of measures to improve service delivery, endorse transparency and reduce corruption, which still remains at a relatively high level.

Egyptian culture is strongly influenced by religious beliefs. For more than 1,000 years, the country has been mostly Islamic. However, there is also a Christian minority, the Copts, which account for as much as 8.5 percent of the total population. As such, Egypt has a powerful culture of giving, practiced in both the Christian tradition of *ushur* (tithing) and the Islamic tradition of *zakat* (alms-giving). Loyalty and solidarity are paramount values and often override most other societal rules. Nevertheless, with increasing globalization the influence of Western culture is constantly growing, leading to some extent to a concern that materialism is increasing among the younger generation.

From the early 1980s onwards, the Egyptian national economy has been growing as a result of economic and structural reforms. Since 1974, the government started to encourage private investment by moving from a centrally planned economy to an economic policy characterized by openness and indicative planning. At the same time, the period of reforms was accompanied by the government's inability to fulfill the needs of the disadvantaged, which led to the launch of the Economic Reform and Structural Adjustment Program (ERSAP) in the early 1990s. This reform package decreased subsidies, revised tax rates, froze public sector investments, liberalized financial and foreign exchange markets, liberalized trade, deregulated prices, encouraged private sector reforms and privatization, and offered a social package for safeguarding the interests of socially vulnerable segments of the population during the period of economic transition. Legal reforms in the areas of investment, taxes and labor were also undertaken to enable these reforms to take hold. As a result, the

² http://www.presidency.gov.eg/html/political_system.html

³ "The small gains for democracy are now being rolled back," *The Economist* print edition, March 15, 2007. Available: http://www.economist.com/displayStory.cfm?story_id=8861479

country's growth rate has risen from 3.5 percent to 6.5 percent in recent years. The private sector's contribution to the gross domestic product (GDP) has risen from 30 percent to 80 percent over the past 15 years. Egypt sold off 190 state-run companies and facilities from 1990 to 1997, garnering proceeds of 17 billion Egyptian pounds (\$2.7 billion). However, the state still controls the extractive industry.

Currently, there are three sectors driving the progress of the Egyptian economy: agriculture, energy and tourism. Approximately one-third of Egyptian labor is engaged directly in farming or the trading of agricultural products. The Egyptian tourism industry is one of the most important sectors in the economy in terms of high employment and incoming foreign currency but has suffered since 1992 because of intermittent terrorist attacks. Nevertheless, government efforts to crack down on terrorism have countered this trend. The informal sector accounts for a high degree of employment in Egypt. Projected benefits of formalizing this sector include securing higher wages, social insurance and job stability for workers, as well as increased income from taxes for the government and higher quality products for consumers.

Relationship Between Economy, Society and Government

The two main drivers of socioeconomic change are the government and the business sector, comprising both

state-owned and private businesses. A large number of religious and nongovernmental organizations are also influential forces for social change. The NGO sector in Egypt is still in the process of developing its identity. Due to legal constraints, all NGOs existing prior to 1952 were either dissolved or were limited in their activities. Only in the early 1990s did the state revitalize the role of civil society organizations by allowing them more freedom to act. Civil society organizations were then viewed as alternative channels for realizing the government's policies and supporting its reform plans. Since there is no mandatory corporate contribution for societal purposes, an increasing number of companies donate to NGOs and religious organizations. To make use of this philanthropic giving in a more strategic way, the minister of health approached the Islamic Faith Leaders in April 2007 for support and approval to allow a portion of the zakat contributions to be given to the ministry so it can enlarge its capacity to reach the poor and provide them with the needed healthcare. To date, NGOs are active mainly in the areas of poverty alleviation, environment, women's empowerment and human rights.⁴ Besides redirecting money to the poor and supporting local community development, watchdog and lobbying institutions also play their traditional roles, albeit to a lesser extent.

The relationship between the public sector and the business community is much more extensive, as the main economic goal of the government's economic reform is the transition to an efficient market economy and a less-

Facts and Figures		Source
GDP	89.4 billion US\$ (2005)	WB
GDP annual growth rate	4.9% (2005)	WB
Import of goods and services	29% of GDP (2004)	UNDP
Export of goods and services	29% of GDP (2004)	UNDP
Corruption Perception Index	3.3 (2006)	TI
Gini Index	34.4 (2006)	UNDP
Public education expenditure	3.9% of GDP (1991, no current data available)	UNDP
Public health expenditure	2.5% of GDP (2003)	UNDP
Gender Empowerment Measure	0.262 (2006)	UNDP
Unemployment rate, annual average	8.0 of labor force (1995-2005)	UNDP
BTI Management Index	4.15 Rank 92 (2007)	BST
Seats in parliament held by women	3.8% of total	UNDP

4 <http://www.embassy-avenue.jp/egypt/politics.htm>

ening of Egypt's reliance on imports. The Industrial Modernization Program (IMP), launched by the government to renew the country's industrial sector, is one example of the cooperation between state and business. The IMP's aim is to provide technical assistance to private enterprises during the transition.

The role of the trade unions is extremely restricted as the government keeps tight control over them by obliging them to affiliate with the *Egyptian Trade Union Federation (ETUF)*, with which it has a close relationship. The unions' ability to strike legally is virtually nonexistent. Although Egypt has ratified the International Labour Organization (ILO) conventions protecting trade union rights, security forces have often used violence to bring an end to industrial disputes.⁵ Over the last year trade unions have tried to overcome these barriers. The *Centre for Trade Union and Workers' Services (CTUWS)*, an independent NGO, supported workers and veteran trade unionists who called for establishing free and independent trade unions, but was closed by the government in April 2007.

Development of CSR Public Policy

CSR public policy in Egypt is still in a nascent stage. Generally, philanthropy in Egypt has a long history, as it is practiced in both the Christian and Islamic faiths. Christians practice *ushur* (tithing) and Muslims *zakat* (alms-giving). This money is usually used to provide the poor with food and clothes, as well as educational or health services. Egypt's history is full of examples of the corporate sector contributing to community development, although economic changes in recent decades have largely altered the nature of corporate engagement, acting as either a catalyst or a barrier to many philanthropic activities. Before the revolution of 1952, Egypt's educational and healthcare facilities were established through corporate giving. These corporate social development efforts stopped, however, after the 1952 coup d'état and the subsequent nationalization of the country's major companies. Afterwards, the private sector consisted mainly of small businesses, which were unable to continue much of the charitable work done by larger, industrial companies. This affected the country's attitudes toward philanthropic giving, as did the government's assuming responsibility for social and economic development.

In late 1980s and early 1990s, however, the Economic Restructuring and Social Adjustment Program meant that the state started to disburden itself of many responsibilities, returning to the private sector its leading role in both economic and community development. Gradually, companies regained the power they had lost decades before and were subsequently expected by both government and civil society to contribute to economic growth and sociopolitical stability. Besides the influence of the country's economic development on corporate giving, the culture of giving has changed too. In the past businesses made most of their philanthropic donations to the religious organizations to which they belonged or supported poor families by providing them with money, food and clothes. Now many among them believe that their donations ought to bring about significant and sustainable changes that not only meet the needs of the disadvantaged but also contribute to the development of the country.⁶ This has been seen in the past five years in the increasing participation of private corporations, especially multinationals and large local companies, in the implementation of development projects focusing on issues such as enhancing the education system, health services, human resource development and women's empowerment.

This cultural change has shaped Egypt's understanding of corporate social responsibility as going beyond mere philanthropic activities and becoming more a framework for partnerships. Hence, although the concept of CSR was introduced to the business community only five years ago, the government now sees CSR as a public policy issue of increasing importance.

CSR Policy Rationale

CSR is slowly becoming a subject in Egypt because of the country's increasing openness to the global economic system and because of the enhanced role of its private sector. Up to now, SMEs, agricultural products and imports have predominated in the country's economic sector. In terms of CSR, therefore, the promotion of local business will play an important role in helping Egyptian corporates adapt to global markets.

A second important rationale is to use CSR as a means of building upon traditional values in order to mediate between philanthropic traditions and modern economic

5 In 2006 the independent daily *Al Masri Al Youm* counted 222 instances of labor unrest. The trend of these strikes has continued in 2007.

6 <http://www.neareast.org/phil/en/page.asp?pn=22>

structures. Such efforts necessarily draw on the country's traditional culture of giving. CSR public policy is thus beginning to mediate between cultural and societal traditions and help the country respond to the economic, political and social challenges that it faces as it opens to the outside world. The main task ahead for the Egyptian government will be to connect these two aspects by implementing CSR as an economic concept and simultaneously using the forces of the religiously inspired culture of giving in order to create a stable socioeconomic order.

■ CSR Situation

CSR Public Policy: Understanding, Strategy

CSR as an institutionalized concept is only at the very early stages of development in terms of public policy-making. The public sector still views CSR mainly as philanthropy and as a tool for the private sector's participation in the country's development. This is due to a combination of factors, including the country's powerful tradition of giving, the government's acknowledgement of its inability to fulfill the needs of disadvantaged and the marginal awareness of the concept of CSR. As such, there are no explicit goals that have been formulated

with regard to CSR by the government. Nevertheless, despite the current understanding of CSR, the government is trying to use it to address CSR-related issues. Although there is no explicit vision or public policy strategy for CSR, the government implicitly promotes through its economic reform agenda CSR-related topics such as quality standards and corporate governance. However, due to the narrow understanding of CSR, the different public sectors actors are unable to relate these issues directly to the concept of CSR. Some issue areas where CSR is seen as a part of corporate giving are health and safety, education and community development.

CSR Public Policy: State Actors

There is no single public body or person charged with the responsibility to engage with CSR. Instead there are several public bodies dealing with CSR-related issues, but they do not as yet coordinate their activities in this regard. Among those are the *Ministry of Education*, the *Ministry of Health*, the *Ministry of Communications and Information Technology*, the *Ministry of Social Solidarity* and the *National Council for Childhood and Motherhood (NCCM)*. These public bodies partner with private corporations in the implementation of projects by providing technical and financial support. These partnerships exist mainly in the areas of health, education and information and communications technology.

Selected CSR State Actors		
Name	Description	Main Responsibilities /Activities
Environmental Protection Fund (EPF)	Fund that lies within responsibility of the Egyptian Environmental Affairs Agency (EEAA), founded in 1994	Stimulates investment in the environmental sector in Egypt to support the government's environmental, social and economic policies. The EPF also seeks to foster partnerships between the financial community and the public and private sectors to increase investment in environmental initiatives. www.eeaa.gov.eg
Egyptian Institute of Directors (EIOD)	Institute focusing on corporate governance that operates under the umbrella of the Ministry of Investment, established in 2003	To spread awareness and to improve good corporate governance practices in Egypt, the Middle East and North Africa. www.eiod.org
National Council for Childhood and Motherhood (NCCM)	Established in 1989 as the official agency responsible for issues related to childhood, women and mothers.	Compiles information, statistics and studies pertaining to mothers and children and proposes training programs aimed at improving their living standards.

Moreover, in 1994 the government established the *Environmental Protection Fund (EPF)* within the *Egyptian Environmental Affairs Agency (EEAA)*.⁷ The *EPF*'s goal is to stimulate investment in the environmental sector in Egypt in order to support the government's environmental, social and economic policies. Also, the *EPF* seeks to foster partnerships between the financial community and the public and private sectors to increase investment in environmental initiatives. However, the Egyptian financial markets have yet to focus on SRI.

Additionally, in 2003 the *Egyptian Institute of Directors (EIOD)*, the first institute to focus on corporate governance in the Arab region, was established and now operates under the umbrella of the *Ministry of Investment*.⁸ It aims to spread awareness and to improve good corporate governance practices in Egypt, the Middle East and North Africa (MENA region).

CSR Public Policy: Nonstate actors

The broader picture of CSR in Egypt shows that within the private sector, there is a considerable difference in the level of CSR activities exhibited by different companies. Foreign multinational enterprises, though only comprising 2 percent of the country's businesses, are playing a remarkable role in shaping the understanding of CSR in Egypt. To a large extent, these corporations remain the leaders in practicing and promoting CSR, due to their international exposure and their lengthier experience in adapting existing CSR packages to the local context. Domestic multinational companies, making up 6 percent of the business sector, have gradually started to replicate these programs by implementing charitable initiatives and using the term CSR instead of philanthropy.

Although many CSR efforts are geared towards charitable activities, companies are also clearly focusing on development projects, mainly by developing human resources, creating new job opportunities, enhancing youth skills, promoting health facilities, empowering women and supporting the development of the educational system. Sometimes a company's CSR agenda reflects traditional notions of charitable giving combined with Western-style social responsibility. For instance, *Shell* and *British Petroleum (BP)* still make donations to government hospitals, while at the same time collaborating with civil

society organizations in order to implement sustainable development projects in areas where they operate as corporations.

The oil and gas, telecommunications, banking and construction sectors are the most active in adopting the CSR concept. These large companies have the necessary resources and the economic capacity to enable them not only to comply with CSR-related laws, but also to go beyond these laws voluntarily. For instance, almost all companies in these sectors provide their employees with better health and insurance packages than is required by law. Moreover, MNCs proactively attempt to communicate the CSR initiatives they implement through a range of media outlets. Such activities highlight the responsible role of the private sector and create a competitive environment among companies regarding CSR.

Small and micro enterprises represent more than 90 percent of private economic units, and are playing a remarkable role in Egypt's economic development. Despite its size and impact, this sector is totally ignored in any CSR-relevant discussion or event due to the limited financial resources of its member enterprises and since they are not always able to adhere to legislation pertaining to labor and environmental standards. SMEs make charitable donations, but the majority of them are unaware of the concept of CSR as such.

In the last two years, various chambers of commerce and business associations have been very active in organizing conferences and seminars to promote the concept of CSR. They usually invite representatives from multinationals, the public sector and civil society to share their experiences concerning CSR and discuss issues related to compliance with minimum standards. As a result of some of these meetings, a number of associations have been created, such as the *Egyptian CSR Alliance* and the *Egyptian Businessmen Foundation*, which aims to establish a pool of 100 million Egyptian pounds to be spent on implementing development projects in partnership with civil society organizations.

⁷ www.eeaa.gov.eg

⁸ www.eiod.org

Selected CSR Nonstate Actors		
Business Associations		
Name	Description	Main Responsibilities /Activities
Global Compact	Global network of companies, NGOs, public and academic institutions dedicated to CSR	The Global Compact was launched in Egypt in 2004. Before the end of this year, the Global Compact will launch the National Institute for Corporate Social Responsibility, which will organize a number of campaigns to enhance the understanding of CSR and conduct initiatives to raise environmental awareness. www.globalcompact.org
American-Egyptian Chamber of Commerce	Promotes the development of commerce and investment between the US and Egypt	Established a CSR committee that aims to create a forum where raising awareness and constructive dialogue on CSR can take place. The committee organizes meetings, conferences, exhibitions and an annual award on CSR. Also, it has established the CSR Information Resource Center. www.amcham.org.eg
Ashoka	Ashoka operates in 60 countries, among them Egypt. Ashoka fellows are leading social entrepreneurs who are recognized as having innovative solutions to social problems.	To support their members in adopting the CSR concept, Ashoka Egypt is currently conducting research to map active NGOs and foundations in Egypt. This will serve as database for Ashoka fellows. www.ashoka.org
The British Egyptian Business Association (BEBA)	Promotes the development of commerce and investment between the UK and Egypt.	BEBA conducts seminars to discuss issues related to the CSR concept and has established a community service committee to support companies in their participation in the implementation of sustainable development projects. www.beba.org.eg
Egyptian Junior Business Association (EJB)	Creates business development and networking opportunities for members in Egypt and abroad	Established a CSR committee that aims to create awareness. The committee organizes seminars to discuss CSR-related issues and offers one-to-one meetings to support EJB members and other corporations in fulfilling their CSR responsibilities. www.ejb.org.eg
The Egyptian CSR Alliance	Egyptian Business Alliance for CSR Development	In November 2006, Procter & Gamble Egypt launched an appeal to the Egyptian private sector to build a first-of-its-kind Egyptian Corporate Alliance for Development. The alliance is still in the formation stage and has not yet been legally established. In the future it expects to serve as a pool for sharing information, experiences and best CSR practices among Egyptian companies, and as a forum for coordinating their multiple CSR initiatives.

Religious organizations in Egypt, which mainly depend on *zakat* and *ushur*, have embarked on different initiatives to implement sustainable development projects instead of simply providing donations to the poor. However, they approach businesses from the perspective of asking community members “to give back to society” as part of their religious practice and not as part of their responsibility towards society. Among these are the *Mostafa Mahmoud Organization* and the *Coptic Evangelic Organization for Social Services (CEOSS)*.

In addition, NGOs have some – albeit limited – contribution to make in promoting CSR. Besides those NGOs that redirect charitable donations to the poor, some civil society organizations organize seminars and workshops or conduct research on the topic. The ability of trade

unions to influence the CSR agenda is very limited due to the state control under which they operate.⁹ Some development agencies currently active in Egypt are trying to use the concept of CSR as a tool to encourage the private sector to cooperate with NGOs and implement sustainable development projects. However, their role in fostering CSR development by enhancing the understanding of CSR and supporting companies to move from philanthropy to a strategic CSR approach is still to be mapped out.

Selected CSR Nonstate Actors

Major Civil Society Actors

Name	Description	Main Responsibilities /Activities
Near East Foundation (NEF)	Foundation for responsible development in Egypt and the Arab region	The foundation maps CSR activities in Egypt and supports companies in adopting the CSR concept through workshops and publications. www.neareast.org
NGO service center	NGO aiming at increasing the participation of citizens and NGOs in development	The center supports the private sector's CSR programs and works as a catalyst to facilitate collaboration between private companies and civil society organizations. www.ngocenter-eg.org
Nahdet Al Mahrousa Association	Seeks to have a positive impact on Egypt's development through engaging Egyptian youth.	Encourages the private sector to implement sustainable projects geared towards youth development by conducting seminars attended by private sector representatives and youth. www.nahdetmasr.org

⁹ Report for the general council review of the trade policies of Egypt, International Confederation of Free Trade Union (ICFTU), Geneva, 26 and 28 July 2005

CSR Public Policy: Instruments and Activities

a. Mandatory Framework

In parallel with the economic reforms in the 1990s, the Egyptian government embarked on a program of legal reforms. The regulatory changes covered various laws including company law, investment law, public sector law, capital market law, intellectual property law and banking law. New laws were introduced such as the Antitrust and Competition Law (2005), Environmental Law (1994) and Consumer Protection Law (2006). The adoption of these laws prepared the economy for higher rates of economic growth and development, while at the same time attempting to enforce more socially responsible behavior on part of the private sector.¹⁰

Based on the government's strategy of highlighting the importance of companies reporting on nonfinancial policies and impact, Egyptian company law, for example, requires the private sector to disclose all relevant nonfinancial information in its annual reports. In this way corporations have begun to report on CSR-related activities such as environmental, social and economic issues, although most companies will need time to follow suit.

The Egyptian government also attempts to incorporate a number of international instruments in the design of national legislation. Most of the United Nations and International Labor Organization conventions are used as guidelines for labor law and cultural rights, as well as anticorruption and discrimination efforts, and are enforced by a presidential or ministerial decree.

b. Soft Law

The OECD Principles of Corporate Governance have been used by the public sector to design national corporate governance legislation and as a tool for monitoring compliance. In 2004 the Egyptian Corporate Governance Assessment was conducted as part of the joint World Bank-IMF program of Reports on the Observance of Standards and Codes (ROSC). It benchmarks the country's observance of corporate governance standards against the OECD principles and showed that 24 principles are largely observed while the other 6 principles are not.

Other CSR tools related to corporate governance were developed by the *Egyptian Institute of Directors (EIoD)*,

namely the first corporate governance codes for both Egyptian listed companies (2005) and state-owned enterprises (2006). A presidential decree in 2004 stated that *EIoD* is responsible for education efforts and for promoting the principles of the codices. The institute is considered the first step through which the government is beginning to promote the implementation of voluntary CSR standards. Nevertheless, *EIoD* must do more to promote the use of codes of conduct, since the guidelines are still not well known among private corporations.

The *Egyptian Organization for Standardization and Quality (EOS)* plays an effective role in coping with international approaches in the activities of standards and quality. In order to guarantee product-related consumer protection, two ministerial decrees have been issued stipulating that where there is no Egyptian standard for a product, an international or foreign standard such as the relevant ISO standard is to be applied.¹¹

c. Initiatives and Partnerships

During the last few of years, a number of government bodies such as the *Ministry of Education*, the *Ministry of Health*, the *Ministry of Communications and Information Technology*, the *Ministry of Social Solidarity* and *NCCM* began to endorse public-private partnerships related to local community development. Their aim is to provide corporations with the necessary information and data to identify the needs of marginalized communities and enter into cooperative partnerships to solve some of the most pressing problems facing these communities.¹²

NCCM and the *Ministry of Education*, for instance, collaborated with the *Apache Corporation*, one of the largest independent oil and gas exploration companies, to address the issue of education in deprived areas that only have limited numbers of girls. Free plots of land were provided to build 200 schools.

Also, the *EPF* seeks to foster partnerships between the financial community and the public and private business sectors in order to increase investment in environmental initiatives. Until now, however, the government has not evaluated or measured the impact of such initiatives.

d. Incentives

In order to redirect the private sector's charitable donations towards implementation of development projects that contribute directly to the public sector's economic

¹⁰ The regulatory environment and the Egyptian private sector. Cairo: Egyptian Center for Economic Studies, September 2005

¹¹ www.eos.org.eg

¹² Philanthropy in Egypt: A comprehensive Study on Local Philanthropy in Egypt and Potentials of Directing Giving and Volunteering Towards Development. New York: Center for Development Services, 2007.

and social development agenda, the 1994 taxation law declared that companies can deduct donations and assistance to the government, local authorities and public bodies without limit. Donations to legally registered charities, social welfare organizations, educational institutions and hospitals under government supervision are deductible up to 7 percent of net profits per year. Nevertheless, due to the bureaucracy and paperwork required to acquire this right, most companies have not as yet applied to obtain this privilege. Though most donations by local companies are driven by religious beliefs and a sense of duty to help the poor, the government ought to simplify the processes corporations must undertake to deduct their contributions, as this might encourage corporations to further increase their donations.

Besides the income tax incentives for companies, the *EPF* provides financial assistance for both projects that return a profit, as well as those that are nonprofit.

Since 2006, the *Ministry of Trade and Industry* in association with the *Industry Modernisation Program (IMP)* offers an annual national award for quality production.¹³ The true value of the award lies in the fact that it assesses the performance of firms according to international standards. Furthermore, *EIoD* conducts an annual competition for the best company report and website regarding CSR-related business activities.

e. Awareness

To raise awareness about the concept of CSR, the government has publicly promoted the *Global Compact Network Egypt* since its launch in 2004. Recently the *Ministry of Investment* supported the Global Compact initiative in issuing a publication aimed at improving the understanding of the relationship between business and poverty reduction among the wider business community, government, civil society organizations and academics. The publication will be launched in 2007.

The *Egyptian Organization for Standardization and Quality (EOS)* and the *International Organization for Standardization (ISO)* agreed to establish a standing committee, affiliated with the ISO's vice-president for technical affairs, for translating ISO standards such as the ISO 1400 series and ISO 9000/2000 series into Arabic. Additionally, *EOS* offers capacity building and advisory services. The organization provides training programs to enhance corporations' technical and admin-

istrative operations as well as a program designed especially to train and support companies in obtaining and adhering to international standards such as the quality management system ISO 9001. However, based on statistics available in the *EOS* annual report, more efforts need to be made to reach out to and serve a larger number of corporations.¹⁴

Similar to *EOS*, *EIoD* offers training to enhance the knowledge of companies in corporate governance issues. *EIoD* also embarked on an awareness campaign and organized numerous conferences, seminars and awareness sessions targeting different groups such as private companies, state-owned enterprises, journalists and academics.

■ CSR Public Policy Maturity

Due to the findings detailed above, Egypt's CSR public policy is assessed as being in the first generation of maturity. While there is no one visible contact point for CSR within the Egyptian government, there are several public sector bodies dealing with CSR-related issues, although they are not coordinated. In addition, no visible CSR strategy has been developed. Only the Economic Reform and Structural Adjustment Program (ERSAP) has a rather implicit formulation of CSR-related rationales, based on a variety of understandings and priorities. Stakeholders are neither integrated nor consulted in any regular or formalized manner; nevertheless, some stakeholders are involved in a number of CSR-related public policy activities. In the last few years the government has undertaken a number of different activities in the field of corporate governance, community development and consumer protection. Here, instruments mainly of the first generation are in place in the field of mandatory frameworks, partnerships, incentives and awareness raising. Moreover, a number of laws and guidelines, especially those regarding corporate governance, do have a critical influence on CSR-related public policy in Egypt. However, there are no structures or systems in place to measure and evaluate the public sector's performance in the area of CSR policy. Public policy implementation also remains a serious problem in Egypt due to a lack of transparency and high bureaucratic barriers. For the future, a mainstreaming of CSR public policy instruments of the first and second generation in various policy areas is recommended.

¹³ Quality production rewarded. *Al Ahram Weekly*, Issue No. 827, January 2007

¹⁴ www.eos.org.eg

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The full study with detailed information on CSR public policies in the countries investigated is available for download (pdf) at www.bertelsmann-stiftung.de/csr or at www.gtz.de/csr

