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Palestine Economic Policy Research Institute (MAS)

واقع المسؤولية الاجتماعية للشركات الفلسطينية
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**Palestinian Corporate Social Responsibility
and Enhancing its Contribution to
Social Development**

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The Palestine Economic Policy Research Institute (MAS)

Founded in Jerusalem in 1994 as an independent, non-profit institution to contribute to the policy-making process by conducting economic and social policy research. MAS is governed by a Board of Trustees consisting of prominent academics, businessmen and distinguished personalities from Palestine and the Arab Countries.

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- ♦ Promoting knowledge-based policy formulation by conducting economic and social policy research in accordance with the expressed priorities and needs of decision-makers.
- ♦ Evaluating economic and social policies and their impact at different levels for correction and review of existing policies.
- ♦ Providing a forum for free, open and democratic public debate among all stakeholders on the socio-economic policy-making process.
- ♦ Disseminating up-to-date socio-economic information and research results.
- ♦ Providing technical support and expert advice to PNA bodies, the private sector, and NGOs to enhance their engagement and participation in policy formulation.
- ♦ Strengthening economic and social policy research capabilities and resources in Palestine.

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Palestinian Corporate Social Responsibility and Enhancing its Contribution to Social Development

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Foreword

This paper is commissioned by the Ministry of Social Development within the third phase of the PNA's Program of Priority Research for Economic Development, funded by the Arab Fund for Economic and Social Development. Carrying out the research was constrained by the paucity of primary and secondary data, a difficulty that MAS researchers often confront. In order to circumvent this difficulty, researchers resort to interviews and questionnaires to supplement any existing standardized data in the hope that responses would provide a reliable database that is amenable to quantitative analysis, which is not always the case.

In the present study, an additional difficulty presented itself, in that the concept of corporate social responsibility (CSR) in Palestine had disparate perceptions, thus making the process of analyzing and drawing conclusions about CSR practice all the more intractable. Some respondents contend that CSR refers to a company's responsibility of providing its workers with good working conditions and its consumers with good products or services. This viewpoint considers that social protection is the responsibility of the state, which should designate part of its budget for this purpose, to be financed from taxes collected from the private sector. Others admit to the importance of allocating part of their profits toward CSR; but then it should be dispensed directly by the businesses, each in accordance with its vision of how CSR should be practiced. In this case, the focus is oftentimes not on poverty reduction and social aid, but rather on cultural, educational, social and sports activities with promotional objectives and self-serving image-building.

The research team looked at examples of successful CSR practices and policies in other countries. Together with what was learnt from studying the Palestinian scene, this helped to formulate an indigenous model for the practice of CSR, at the heart of which is a partnership between the Palestinian public and private sectors. The partnership would virtuously link CSR to protection programs for the less privileged segments of the society through policies that can be included in the Companies Law, currently under discussion.

As we publish this paper, we hope that it will shed light on ambiguous aspects of CSR and thus help decision-makers to formulate appropriate policies. We would like to thank the research team and the reviewers and also to extend our appreciation to the Arab Fund for Economic and Social Development for its continuous support to MAS and to policy research which contributes to economic and social development in Palestine.

Nabeel Kassis, PhD
Director General

Abstract

This Study examines corporate social responsibility (CSR) programs in Palestine and the related strategies employed by businesses; the direct/indirect relationship between these programs and the social protection services and programs delivered by the PNA; and the conditions under which some of the latter programs can further the social protection system and contribute to social development. With limited government resources, there is a need to best tap the available resources in the economy. And with increased poverty, it is crucial to create an environment that encourages the private sector to contribute to social responsibility, thus becoming a local partner driving social and economic development and reducing, reliance on international assistance programs.

The term "CSR" is still not universally defined, and in Palestine a conclusive concept does not exist. Social responsibility takes different forms, and the government has no clear-cut perception of its role, often adopting a free market system stipulated in the Palestinian Basic Law, by which the private sector is also bound. Because of these factors, implementing effective, poverty-reducing CSR programs might at first seem unattainable. The question, therefore, is "will it be possible to design policies that encourage the private sector to function beyond its economic role and toward social issues, namely poverty and social protection?" The present paper also discusses the financial sustainability of CSR, especially for social protection programs. In the global context, some countries have adopted policies that reduced business avarice and exploitation of the society, or alternatively motivated businesses to shoulder their social responsibilities in times of economic distress.

The study examines the long-standing debate on social responsibility, thus providing insight into and better understanding of the CSR concept in the Palestinian context. It is the first study to assess the relationship between social responsibility and poverty or support/lack thereof for vulnerable groups in Palestine. The authors present a set of recommendations on the best policies that would support social

protection programs by enhancing private sector social responsibility. The recommendations focus on defining the most feasible measures to develop private sector CSR reach methods and scope, promoting an institutional CSR strategy and build an effective social development partnership between the private and public sectors.