

***Business Ethics and Corporate Social Responsibility –
Analytical Study of North Africa and the Middle East (MENA)
Region***

***أخلاقيات الأعمال والمسؤولية الاجتماعية للشركات – دراسة تحليلية لمنطقة الشرق الأوسط
وشمال أفريقيا***

Louiza MEBARKI, Grand Maghreb - Economy and Society Lab, Abdelhamid Mehri
University of Constantine 2, Algeria, louiza.mebarki@univ-constantine2.dz

Received:14/12/2019; Accepted for reviewing:27/03/2020;Accepted for publishing: 30/06/2020

Abstract: The study aimed to identify CSR practices in the MENA region. This descriptive-analytical study has relied on reports and statistics from different sources: *the study of (Gerged & Christopher J Cowton, 2017), Report of “HAWKAMAH “, Civil Society Organization Index 2016, ESG Index... etc.* Results show that companies in the region are oriented towards philanthropic responsibilities more than economic and legal ones. Opportunities for improvement are expected if companies overcome political, socio-cultural, and environmental challenges.

keyword: Ethics; Business ethics; Corporate Social Responsibility (CSR); Corporate Social Performance, Ethical and Philanthropic Responsibility.

JEL classification code : M14, N37, N47, O13, O18, O44, O53, O55.

ملخص: هدفت الدراسة للتعرف على ممارسات المسؤولية الاجتماعية للشركات في منطقة الشرق الأوسط وشمال أفريقيا MENA. اعتمدت الدراسة الوصفية التحليلية على إحصائيات وتقارير من مصادر مختلفة: دراسة (Gerged & Christopher J Cowton, 2017)، تقرير حوكمة، تقرير مؤشر منظمة المجتمع المدني 2016، مؤشر ESG ... إلخ. أظهرت نتائج الدراسة توجه العديد من الشركات في المنطقة إلى تلبية المسؤوليات الخيرية بشكل أكبر من المسؤوليات الاقتصادية، القانونية والأخلاقية. هناك فرص للتحسين متوقعة إذا ماتم تجاوزت الشركات التحديات السياسية، الاجتماعية والثقافية والبيئية.

الكلمات المفتاحية: الأخلاقيات؛ أخلاقيات الأعمال؛ المسؤولية الاجتماعية للشركات؛ الأداء الاجتماعي للشركات، المسؤولية الأخلاقية والخيرية.

تصنيف JEL: M14, N37, N47, O13, O18, O44, O53, O55.

Louiza Mebarki, e-mail: louiza.mebarki@univ-constantine2.dz

1. Introduction :

The Middle East and North Africa (MENA) is a region rich in energy and human resources, like the rest of the world it seeks to improve its economic and social conditions and take care of the issues raised by the societal and business environment, in health, education, unemployment, corruption, political stability ...etc. Despite the opportunities available to the region, manifested in various programs and initiatives promoting the work of companies, especially small and medium enterprises (SME's), it still needs more attention to catch up countries in the developed world. The adoption of social responsibility concepts by businesses in the region, therefore, a developmental and ethical necessity according to leaders in the region.

Archie B. Carroll is known as one of the pioneers in Corporate Social Responsibility (CSR) field, representing its 4-dimensional pyramid as CSR model, regarding the ethical responsibility as one of the dimension' sides by side to economic, legal and philanthropic responsibilities. To explore more the contributions of MENA companies to different social and economic aspects in the area, the following key question was asked: ***“What are the contributions of CSR practices in the MENA region”?*** besides the following set of sub-questions:

- Are companies in the MENA region socially responsible?
- What have companies in the region done to demonstrate their commitment to their economic, legal, ethical and philanthropic responsibilities?
- What are the obstacles facing companies in their performances and social responsibilities in the region?

2. Literature review: This part presents the literature review to different concepts related to ethics and corporate social responsibility.

2.1. Ethics and Corporate Social Responsibility (CSR):

A study conducted in Europe on CSR education, confirms that there are 50 different brands referred to CSR models and 40 different referred to CSR programs and a number of their vocabulary most commonly used: “*business ethics, corporate citizenship, sustainability or sustainable development, management Corporate Environmental, Business and Society, Business and Governance, Business and society, Globalization and Stakeholder Management*” (Visser, 2006, p. 32).

- **Ethics:** Is from the Greek word: *Ethos*, means: **personality or custom**. The word origin refers to individual personality and the meaning of being "good". It is what governs individual's behaviour from social rules and standards of wrong and right (Turnipseed, 2002, p. 02) what individuals should do, usually about duties, principles, certain virtues and benefits to society (James Savara, 2015, p. 12).

- **Business Ethics:** Is a field of applied ethics that examines ethical rules and principles in a business context, various ethical problems may arise in a business environment, and any special duties or obligations of persons involved in the business (Christensen & al, 2007, p. 351). It is the daily conduct of business with the world (*business interaction with the world as a whole and to individuals dealing with the customer*) (Velentzas & Broni, 2010, p. 795).

1.2. Corporate Social Responsibility (CSR): There is a great deal of uncertainty about what CSR really means and what drives business to pursue it (Schwartz & Archie B, 2003, p. 503) (Chauhan & Amit, 2014, p. 24) What contributes to this blur is the lack of agreement on what the term really means (B. Caroll, 1979, p. 479) in theory and practice (Schwartz & Archie B. Carroll, 2008, p. 156). CSR combines some theories and different methods that use the same terms in different meanings. This problem is old, Votaw wrote 30 years ago: “**CSR means something, but not always the same for everyone**” (Garriga & Dome`nec Mele, 2004, p. 52). Carroll described the situation as a selection of training / perspectives field, “**a multidisciplinary, encompassing a wide range of literature**” (Garriga & Dome`nec Mele, 2004, p. 52). Definitions of what social responsibility means have been exceeded 37 definitions (Carroll & Kareem M. Shabana, 2010, p. 89).

The concept of social responsibility (SR) has evolved over decades, it was set in 1930 in the work of Wendell Wilkie who helped teach entrepreneurs a new meaning of SR, the first who directly point

to the subject was Howard Bowen in 1953 in his book: “*Social Responsibilities of the Businessman*” (B. Carroll, 1979, p. 497). In 1960, Keith Davis suggested that SR refers to decisions and actions taken by companies for reasons beyond the direct economic or technical interest. Walton & Ells in 1961 pointed out the problems occurred when a corporation casts a shadow on social and principle ethics that governs the relationship between company and society (Carroll AB, 1991, p. 40). The controversy over social responsibility has escalated as a result of the large trend in this direction. Friedman (1961) argued that if accepting social responsibility rather than collecting as much money as possible for stakeholders, this will undermine freedom as a principal of American society (Carroll, 1979, p. 497), he argued also that social issues are not business concerns and that these problems must be solved through the mechanism of the free market system (Carroll & Kareem M. Shabana, 2010, p. 88).

Peter Drucker's views on corporate social responsibility make it clear that the prime responsibility is the economic performance of businesses; “*businesses that do not show a profit at least equal to the cost of capital, are socially irresponsible and are a waste of community resources*” (Ashokkumar, 2014, p. 21). Making money is not a mistake in itself, but the way companies perceived their work raises the issue of ethical behaviour (Velentzas & Broni, 2010, p. 795). CSR is a part of the Company's operations where it contributes to the environment in terms of financial, environmental, ethical and social investment voluntarily. They are responsible for actions that affect consumption; it is a competition to meet the needs of today's generation without risking the ability of future generations to meet the same requirements (Chauhan & Amit, 2014, p. 24). They have a responsibility to shape the future by following ethics and socially responsible practices (Ashokkumar, 2014, p. 21). Organizations have developed a different approach to address contradictions between community needs and environment and business fundamentals, especially in the integration of the CSR approach into global strategy and daily operations (Chauhan & Amit, 2014, p. 24). In the beginning, the original focus of CSR was to reduce negative social impacts, over time through the focus shifted to the general idea of “*doing good*” for society (Schwartz & Archie B. Carroll, 2008, p. 156). The pyramid of social responsibility is a model

illustrates a four (04) level: economic, legal, ethical and philanthropic (B.Carroll, 1979), (B.Carroll, 1991); (Schwartz & Archie B. Carroll, 2003), (Al-Ghalbi and Saleh Mahdi Mohsen Al-Amri, 2008), (Carroll & Kareem M. Shabana, 2010).

- **Economic responsibility:** Enterprises have the responsibility to produce goods and services that society wants and sell them for a profit. Any other role of business is based on this element (B. Carroll, 1979, p. 500). The principle of profit was originally defined in terms of “*acceptable profits*” and then turned into “*maximization of profit*” (Carroll & Kareem M. Shabana, 2010, p. 90).

- **Legal Responsibility:** Business activity is expected to comply with governmental laws and regulations. It acts as a bridge for a social contract between business and society. Companies are expected to pursue their economic tasks within the framework of the law. In the sense that they embody the basic concepts of fair operations as defined by legislators as Codified Ethics (B. Carroll, 1991, p. 41).

- **Ethical Responsibility:** Is those activities and practices that community members prohibit, even though they are not codified in law. It includes standards or expectations that reflect concern about what consumers, employees, shareholders and what society perceived as equitable, fair or harmonious while respecting or protecting the moral rights of stakeholders beyond the legal sphere as the driving force behind the creation of laws or regulations (B.Carroll, 1991, p. 41).

- **Philanthropic/ Voluntary Responsibility:** Philanthropy encompasses collective actions that are in response to community expectations of good corporate citizenship. This includes active participation in actions or programs to promote human well-being. Philanthropy includes business contributions for financial resources or execution time to arts, education, or society in general (B. Carroll, 1991, p. 42). Economic and legal responsibilities are classical business responsibilities, both of which are required, while ethical and philanthropic responsibilities (voluntary) are modern responsibilities the first is expected while the second is desirable (Carroll & Kareem M. Shabana, 2010, p. 90) (Schwartz & Archie B. Carroll, 2003, p. 504).

Most of the major corporate websites today focus on the commitment to non-economic social values within a variety of labels (*ethical codes, social responsibility codes*). Companies are redefining their core values under the light of business ethical considerations

(Velentzas & Broni, 2010, p. 796). Working on a wide range of culturally complex and diverse territories confirms that the CSR agenda needs to be localized ...this may include emphasizing some aspects of CSR more than others or giving greater priority to prominent stakeholder groups in the host countries, especially when talking about international business (Halkos & Antonis Skouloudis, 2016, p. 24). There is very little research on the extent and nature of corporate social responsibility in developing countries. Moreover, there is little literature explaining the involvement of SMEs in corporate social responsibility - particularly in the MENA region where most companies are SMEs - (Lythreatis & Ahmed Mostafa, 2017, pp. 05-06).

2.2. Overview of Corporate Social Responsibility in MENA Countries: It is not always clear which countries are listed under the term of MENA region, sometimes **Mauritania and Turkey** are included. It is therefore important to provide some geographical clarification of what the MENA region covers. According to “**Manarah**” project identified a wide area including *Mauritania, Morocco, Algeria, Libya, Tunisia, Egypt, Oman, Yemen, Saudi Arabia, United Arab Emirates, Qatar, Bahrain, Kuwait, Iraq, Iran, Sudan, Syria, Jordan, Lebanon, Occupied Palestinian Territories, Israel and Turkey*. Studies refer to the Palestinian territories in different ways in studies: (*Palestine, west bank or Gaza*).

2.2.1. Business and Investment Climate in the Middle East and North Africa (MENA): The (MENA) region covers 6% of the world's population, estimated at 300 million people. Community-based organizations in the region faced a variety of challenges, particularly on security, leading to logistical and legal problems (The 2016 Civil Society Organization Sustainability Index for the Middle East and North Africa, 2016, p. 07). MENA countries suffered from 69% of the total number of terrorist attacks between 2003-2012. The region is also characterized by a high level of violence in neighbouring countries (Baleix & Federico Carril Caccia, 2018, p. 01). Besides the political conflict between the West Bank and the Gaza Strip, the formation of a government of national salvation of the Houthis, the survival of Morocco without a government for six months, the election of a new parliament in Egypt ... where the efforts did not achieve the hope of reforming the situations (The 2016 Civil Society Organization

Sustainability Index for the Middle East and North Africa, 2016, p. 07). Greenfield investments account for more than 80% of FDI: Foreign Direct Investment projects during the period 2003-2012, in most countries of the region, with foreign companies contributing more than 50,000 jobs in *Algeria, Egypt, Morocco, Saudi Arabia, Tunisia United Arab Emirates* (Baleix & Federico Carril Caccia, 2018, p. 01). In some MENA countries, these investments account for more than 3% of GDP, which means more than 1,500 billion \$ annually (Sustainable Investment in the Middle East and North Africa Region Report, 2009, p. 08). The average number of days required to start a business in the MENA is lower than any other developing countries; Iran, Kuwait, Lebanon, Saudi Arabia, Syria and Yemen have not been able to reach this share (Baleix & Federico Carril Caccia, 2018, p. 01). The onset of the Western economic crisis and the Arab Spring has had a major impact on attracting FDI to the region and in most countries, these investments no longer exceed the threshold of 3% of GDP (Baleix & Federico Carril Caccia, 2018, p. 01).

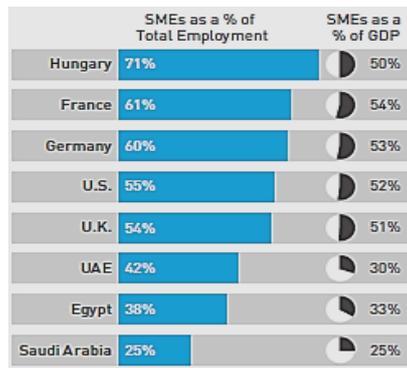
Companies in the (MENA) region began to accept CSR after the establishment of the United Nations Global Compact (UNGC) in 2000, with 306 companies signing up (**4% of the world's companies**). In the first phase of the region's development plan (**2005-2007**); a Regional Institute for Corporate Governance (**HAWKAMA**) was established in Dubai in 2006. Many regional governments at the national level are an engaging business in achieving environmental and social goals through public-private partnerships (PPP) ... (A. Qureshi, 2015, p. 09). [BAYT.com](https://www.bayt.com) has conducted a survey of employees across 13 countries in the MENA worldwide, its results that the orientation towards social responsibility has not been limited to boardrooms only, nearly two-thirds of employees in the region have already started participating in social or charitable activities. 95% want to increase their commitment to CSR issues, even as consumers 90% of those respondents prefer to buy products and services from socially responsible companies (<https://www.bayt.com/en/blog/27020/bayt-com-infographic-how-csr-is-making-an-impact-in-the-middle-east-and-north-africa/>, consulted on: 06/02/2019, 19: 02).

2.2.2. Addressing the problem of unemployment in the MENA region: Unemployment in the region is enormous as the Middle East

alone must create 75 million jobs by 2020, according to the World Economic Forum (WEF). Lack of jobs for large numbers of young people could have serious consequences for social turbulences and economic activity loses

(www.strategybusiness.com/article/00234?gko=b365d, Consulted on: 06/02/2019, 18: 47). Clearly, the solution to this problem doesn't lie only in government institutions. Countries in the region have found that improving links between the private sector and educational institutions is a key way to address youth unemployment in the region (What's Holding Back the Private Sector in MENA? Lessons from the Enterprise survey, 2016, p. 67).

Fig.1: Comparing the contributions of SMEs in some developed and developing countries to employment and GDP:



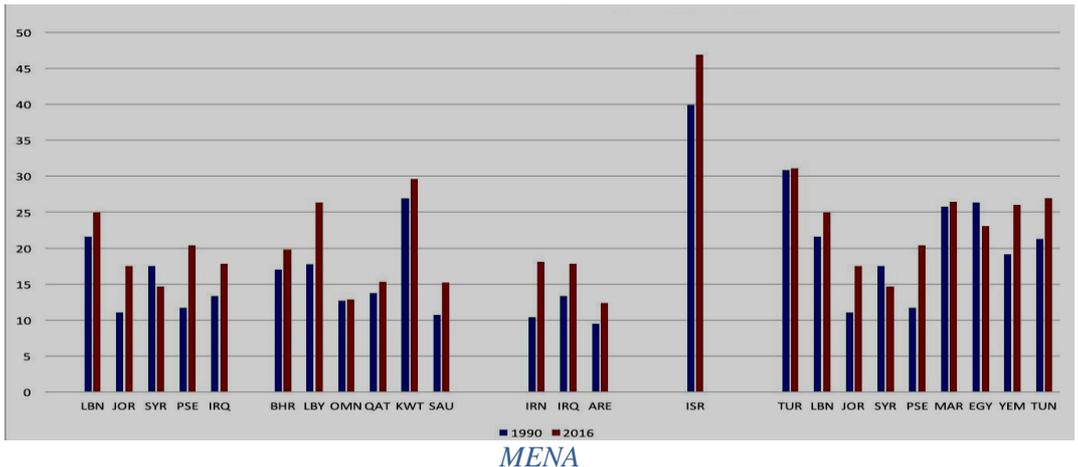
Source: (www.strategy-business.com/article/00234?gko=b365d, consulted on : 06/02/2019, 18: 47)

Therefore, developing countries generally turn to small and medium enterprises (SMEs) to create economic stability and jobs. SMEs in Germany and France present 60% and 61% of employment, while in Saudi Arabia and Egypt SME's represents only 25% and 38% of jobs. In the United Kingdom, the United States, Germany and France, SMEs contribute slightly more than half of GDP, while in Saudi Arabia and Egypt SME's contribute up to 25% and 33% to the GDP. Local governments and the private sector in the MENA region are increasingly recognizing to make a way for SMEs. For example, the Ministry of Labour in Saudi Arabia has identified 36 initiatives as part

of the “SME Ecosystem” project, these initiatives include: *a digital portal provides information on requirements for startups in various industries, restructuring of SMEs, financing process and promoting entrepreneurship, training programs and developing ideas.* From 2005 to 2011, the number of startups increased to eightfold.

2.2.3. Woman participation in economic and labour life: Female participation in the labour market is remarkably low in most countries. Israel has a relatively equal workforce between men and women, with women accounting for 47% of employment. The share of the female labour force in Turkey and Kuwait is about 30%, all other economies are well below 30% and with a trend towards a gradual increase in women's participation in the labour force. Palestine achieved remarkable success in doubling the percentage of women in the labour force from 11.6% from 1990 to 20.3% in 2016. Employment has seen a decline in the female labour market in Egypt (from 26.3% to 23.1%) and Syria (from 17.5% to 14.7%). While the Syrian labour market has been adversely affected by the war, Egyptian women are discriminated against through poor educational opportunities, high illiteracy rates (37%) and socio-economic conditions that developed after the 2011 Egyptian revolution (McKee & al, 2017, p. 25).

Fig. 04: Comparison of female market labour between 1990-2016 in



Source: (McKee & al, 2017, p. 25)

Except for Israel, Lebanon and Turkey, the MENA region has generally low-quality education systems with a gap between education and the labour market. For example, 63% of Saudi university students who complete their higher education face a low demand from the private sector in fields of agriculture, science, educational services, humanities and arts. Governments in the region increased their spending on education to 5.3% of GDP, on average girls in schools outperform their male counterparts on topics such as mathematics, the rates also of enrollment have risen to nearly 92% across the region. The image of labour markets is described as a ***“Bargaining-authoritarian social contract”*** between systems and communities to politically satisfy the region's population, such a contract only works if the public sector has the financial means to Job creation (McKee & al, 2017, p. 25). Overall, there has been a remarkable increase in women's participation in employment from 1990 to 2016. **Figure (04).**

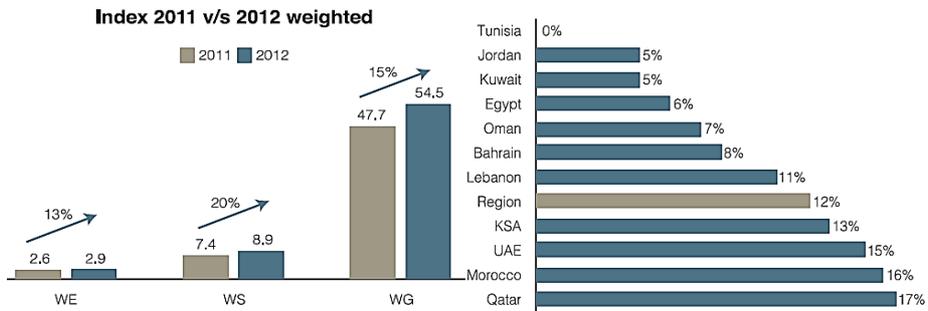
2.2.4. Energy sources in the region: The (MENA) region is a diversified economy where natural resources vary from a country to another. Morocco and Egypt are scarce of energy resources compared to oil-rich countries such as Saudi Arabia, Qatar and Kuwait. There are many companies operate in polluting sectors (energy or other industrial sectors), So at the environmental level, Arab countries account for 60% of the world's oil reserves and only 0.5% of renewable freshwater resources; which means severe water shortages, the countries in the region need better waste management and there are concerns about poor air quality (<https://www.bayt.com/en/blog/27020/bayt-com-infographic-how-csr-is-making-an-impact-in-the-middle-east-and-north-africa/>: 06/02/2019, 19: 02). The vast majority of water consumed in the MENA region is used directly or indirectly to produce food and up to 85% in agriculture, besides that household's consumption is unusually high. The region has the lowest water tariffs in the world, with the highest proportion of GDP (2%), spent on public water subsidies, the inefficient water supply infrastructure exacerbates the problem: 35 to 50% of the treated water supply is lost in water systems in the Middle East. From 33 countries, 14 countries are expected to be the most vulnerable to water stress in 2040, which the World Bank has warned about, unless the countries take unto

consideration making the necessary reforms (Hot & Dry: Water Scarcity in The MENA Region, 2018, p. 02).

2.2.5. Establishment of "Hawkamah" Regional Institute of Companies: The advancement of CSR is not just about companies (and their employees), it also about governments and nonprofits in the region. **HAWKAMA - MENA's** Regional Institute was established in the MENA region in 2006 in Dubai to promote the formation of corporate governance as well as public-private partnerships, (<https://www.bayt.com/en/blog/27020/bayt-com-infographic-how-csr-is-making-an-impact-in-the-middle-east-and-north-africa/>, consulted on: 06/02/2019, 19: 02), to help bridge the corporate governance gap in the region, the Institute was established in partnership with international organizations: the Organization for Economic Cooperation and Development (OCED), the International Finance Corporation (IFC), the World Bank (WB) and regional organizations including the Union of Arab Banks and the Dubai International Financial Center (DIFC). The Institute grew out of the recognition of the growing need for a regional organization working on the ground to build regional institutions for corporate governance for stakeholder participation (*Environmental, Social & Corporate Governance, Practices in the MENA, 2012-2013, p. 10*). "Hawkamah", in partnership with Standards & Poors and IFC, established the region's first Environmental, Social and Governance Index (ESG) that ranks and tracks transparency and disclosure of regional companies listed on ESG issues. The components of this index are drawn from 11 Arab stock markets. The purpose of the index is to identify companies in the MENA region that are advancing in ESG reporting and policy implementation. it is also a tool for international and regional investors who may not have experience in the region's companies or integrate corporate governance into their investment operations and for companies where listing in the index provides general recognition to the local company of its ESG practices (*Environmental, Social & Corporate Governance Practices in the MENA, 2012-2013, p. 11*). The methodology used to create the index was to choose from the 150 largest and high liquidity companies listed on the national stock exchanges for 11 markets: *Bahrain, Egypt, Jordan, Lebanon, Kuwait, Morocco, Oman, Qatar, Saudi Arabia, Tunisia and the United Arab*

Emirates. Each company was analyzed through nearly 200 environmental, social and governance issues, including *carbon emissions, water and energy consumption, employee health and safety, community investment, charitable donations, financial reporting, audit and board independence and executive remuneration.* Including the top 50 performing companies (Environmental, Social & Corporate Governance Practices in the MENA, 2012-2013, p. 11).

Fig. 5: The weighted, annual compound growth rate of the ESG Index



Source: (Environmental, Social & Corporate Governance Practices in the MENA, 2012-2013, pp. 30-31)

The figure on the left above shows the weighted growth rate of each of the ESG: Economic, Social and Governance pillars between 2011-2012; the region experienced an increase where the highest growth is seen in the social pillar. The figure shows the annual complex growth rate of ECG of the year 2012 reached 12% in the MENA region, in Qatar and Morocco 17% and 16%. The reason for the high growth rate in both countries is that Moroccan companies have started reporting on ESG, while Qatari companies have shown relatively low participation in ESG reports in recent years and are steadily improving them (Environmental, Social & Corporate Governance Practices in the MENA, 2012-2013, pp. 30-31)

The region is seeking to establish the principles of governance, and this through the initiatives of the countries in the region towards the issuing of corporate governance rules by national regulators in parallel with the establishment of national corporate governance institutes.

Oman and Egypt pioneered the region since they developed local governance laws between 2002 and 2005, both of which are based on the OECD principles of corporate governance. Between 2005 and 2009, 11 corporate governance codes were introduced through national regulations as well as specialized guidance for state-owned enterprises, banks and family businesses, accompanied by the tremendous need for education and training services. The emergence of corporate management centres was a natural extension of the process, today 03 of Only 17 countries in the MENA region do not have specific corporate governance codes (Koldertsova, 2010, p. 04).

The degree of compliance and mandatory general charters of governance, as well as the areas of guidance, vary from country to country in the MENA region. For example: *in 2009 Algeria issued a general charter of governance however, it does not have the force of compulsion and has not been accompanied by other directives and charters*. Several countries issued their charters such as: Qatar and Palestine (2009), Bahrain and Yemen in 2010 which is binding, Saudi Arabia (started in 2006 and become binding in 2009), Morocco, Syria, Jordan and Lebanon in (2008), United Arab Emirates (2007 and it is binding), Egypt (in 2005 also is binding), Qatar and Oman (2002 Binding). Libya, Iraq and Kuwait have not adopted governance charters or codes. Some countries have attached this charter with codes and directives for banks and lending institutions, government institutions, small and medium enterprises and commercial intermediaries (Koldertsova, 2010, p. 05)

2.5. Islamic microcredit as a tool to improve the social performance of banks: These predominantly Arab and Muslim countries share many common cultural characteristics to a varying degree (Gerged & Christopher J Cowton, 2017, p. 03), among these characteristics is Islamic religion and culture. Islamic microcredit is one of the tools that contribute to social performance of the banks. A study done by (Berguiga & Yosra Said, 2017, p. 01) included 67 microfinance institutions in the MENA region and 18 IMF: International Monetary Fund institutions during 2004-2015 as a comparison of their financial and social performance. There is a trade-off for financial performance over social performance weather in Islamic institutions or ordinary institutions despite the practices of IMFIs differs from microfinance

institutions (CMFIs). The Islamic microfinance targeting the poorest groups affects less on their economic sustainability, while its impact is higher on employee productivity beside that granting loans and working in rural areas increases social communication.

2.6. Ethical Climate and Transparency in the Middle East and

North Africa: The annual Anti-Corruption and Integrity Forum of the Organization for Economic Co-operation and Development (OECD) concluded in its last sessions the importance of Fighting against corruption at the global and regional levels, provides an opportunity to connect with the MENA Business Network (MOBIN: MENA-OECD Business Network). It brought together more than 60 stakeholders and experts representing 14 countries as well as international organizations, civil society, the private sector and academia to discuss existing provisions on public-private dialogue on combating corruption ([Institutionalizing Public-Private Dialogue to Fight Against Corruption in the MENA Region, 2018, p. 01](#)). Tunisia along with Jordan, ranked relatively high in Transparency International's Corruption Perceptions Index 2013, while the Republic of Yemen ranked 167 out of 177 economies worldwide. The Rule of Law Index ranks Jordan at 79, Tunisia at 103 and Morocco at 111, Egypt, Lebanon and Yemen ranked much lower ([What's Holding Back the Private Sector in MENA? Lessons from the Enterprise survey, 2016, p. 20](#)). The 2014 Corruption Perceptions Index ranked Lebanon and Egypt at 136 and 94 of the 175 most corrupt countries ([Elgammal & Abdul-Nasser El-Kassar, 2018](#)).

In the year of 2018, United Arab Emirates (UAE) scored 70 and came first on Corruption Perceptions Index 2018 (CPI), the rest of countries seems to fail in their fight against corruption; Syria, Yemen and Libya at the very bottom of the region. MENA region falls behind the Americas and Asia Pacific regions and a little better than eastern Europe and central Asia and at last sub-Saharan Africa. Morocco and Egypt improved by 3 points with scores of 43 and 35, especially since the Moroccan government passed an access to information law, enabled the country to join the Open Government Partnership (OGP), while Egypt despite the increasing the improvements didn't appear on the ground. Syria, Libya, Yemen and Iraq where instable facing terrorism, war and conflicts. Sudan also remains last scoring 16 points due to the

previous reasons (Many protesters against government corruption killed) (<https://www.transparency.org/news/feature/regional-analysis-MENA>, consulted on: 02/12/2019, 20 :39). In a study of 6083 private companies in the MENA region, political instability, corruption and unreliable electricity supplies are obstacles to performance in the region, which It is the highest in MENA companies than in other economies (*What's Holding Back the Private Sector in MENA? Lessons from the Enterprise survey, 2016, p. 22*). Tunisia has a high risk of corruption, followed by countries such as Iran, Jordan, Lebanon, the United Arab Emirates and Saudi Arabia. Algeria, Egypt, Iraq, Kuwait, Libya, Morocco, Oman, Qatar, Syria and Yemen are among the most vulnerable countries at the top of the corruption-prone countries: Iraq, Syria and Yemen are fragile (Tehmina & al, 2015, p. 05). Bribery and corruption programs are ranked 04th among the programs adopted by financial institutions in the region according to the Financial Crimes Report 2015, in addition to: Combating Money Laundering (Ranked 1st), Penalties (Ranked 2nd), Internal and external fraud (ranked 03rd), Financing the fight against terrorism (5th) and Cybercrime (6th) (*Financial Crime in The Middle East and North Africa 2015, 2015*). Statistics and shareholding structures in the region have not changed since 2012. MENA markets continue to be dominated by shareholders (*Index Environmental, Social and Corporate Governance Practices in the Middle East and North Africa Region 2007-2017, 2017, p. 20*). The World Economic Forum estimates that the region needs to create 75 million jobs. by 2020 to maintain current employment levels. In such a scenario, one would expect CSR initiatives to focus on addressing these key needs areas (www.strategybusiness.com/article/00234?gko=b365d, consulted on: 06/02/2019, 18: 47). Corporate social responsibility remains synonymous with philanthropy for most companies and key areas of the focus remains unaddressed. The 2013 BAYT.com survey found that the most common CSR activities in the MENA region include 25% of food, clothing and housing for the poor, 13% work with orphans and disadvantaged children, 7% for education and scholarship activities, 6% Of the activities targeted at individuals with special needs, 4% are for food, clothing and housing for refugees, 4% for environmental reasons, 4% for medical studies, 14% for all previous activities, 12% for other charitable activities, and 11% for none. Even within the corporate sector, the practices of multinational corporations tend to

focus on leading CSR mandates through local corporations and their cultural inclination towards charity, which means that other needs are neglected (<https://www.bayt.com/en/blog/27020/bayt-com-infographic-how-csr-is-making-an-impact-in-the-middle-east-and-north-africa/>, consulted on: 06/02/2019, 19: 02).

3. Study Methodology:

The study is a descriptive-analytical study of statistics, studies, global reports: (Koldertsova, 2010), (McKee & al, 2017), (Gerged & Christopher J Cowton, 2017), Global Reports and Indexes: Reports of the Regional Institute of Companies “**HAWKAMAH**”, Civil Society Organization Index 2016, ESG Index, OCED... etc which included the practices of companies and countries for social responsibility in the MENA region. In addition to identifying its many contributions in the countries of the region and its implications on the business climate and investments and the economic and social situation.

4. Study Results:

To address the problem of unemployment and motivate unemployed youth energies, the countries of the region launched several initiatives to encourage partnership between public and private companies and develop accompaniment programs to help entrepreneurs establishing small and medium enterprises and start-ups, this is led to an increasing in its number to eight times during 2005-2011.

Unstable political conditions are considered as barriers to some projects to be implemented in conflict and war zones, but the results of the trend towards women's participation in economic life have been somewhat contradictory. For example, Palestine experienced success in doubling the female labour force during (1990-2016); This is due to several measures and legislation adopted by Palestinian government to increase the participation of women in economic life, including the adoption of the Palestinian Labour Law in 2000, which enshrined the principle of non-discrimination between men and women at work, with emphasis on their right to do so and employers' commitment providing the right working conditions. The National Employment Strategy 2000-2004 is designed to alleviate unemployment for both men and women, one of its objectives are to increase the participation of women in the

labour market and to take the necessary measures to achieve it ... (<https://www.un.org/womenwatch/daw/Review/responses/PALESTINE-Arabic.pdf>, consulted on: 30/03/2019, 20: 55). On the other hand, the percentage in both Egypt and Syria declined due to the turbulent political situation that accompanied the Arab Spring 2010-2011, Female employment is also linked to the quality of education in the region, study fields and their compatibility with the labour market in the countries under study, overall there has been an increase in women's participation in most countries between 1990 and 2016.

The exploitation of energy resources in the MENA region is usually in polluting industries. Most of these countries have rentier economies (60% of the world's oil reserves), desert areas suffer from freshwater scarcity (only 0.5%), and water tariffs are the lowest in the world. Inefficient supply infrastructure and loss of between 35% and 50% in Middle Eastern countries.

Regional Institute of Companies “ **Hawkamah** ” has contributed to the creation of the region's first environmental, social and governance index to track the region's commitment to transparency, which had an impact on attracting foreign investment. It is noteworthy that the commitment of preparing reports is variant since Morocco and Qatar committing to do it. In general, 14 countries in the region have rules, codes and charters of corporate governance, although there are differences in: *degrees of compliance, mandatory and guidance*.

Bribery and corruption programs rank fourth in the concerns of financial institutions in the region (**Financial Crimes Report 2015**) and countries in the region have failed to fight corruption, as reflected in low perceptions of corruption (**Transparency International Report 2018, Transparency International Defense and Security Report 2015**). Companies in the region have been more focused on shareholders since 2012, and despite the negligence of other stakeholders, it is indicative of the companies' economic and legal responsibilities. The Arab and Islamic culture has contributed to innovative and contemporary economic trends such as Islamic banks and microcredit, which offers variant social objectives, but the social performance of these institutions has not been verified according to the study of (**Berguiga & Yosra Said, 2017**), although they reflect the tolerance of these institutions to its Social responsibilities by targeting the poorest, which affects their economic sustainability. This culture

has also made social responsibility synonymous to philanthropy (25% food, clothing and housing, 13% to the disadvantage people, 7% to education, 6% to people with special needs, 4% to refugees, 4% to environmental studies, 4% to medical studies, and the rest for all these activities 14%, other activities 12% and 11% in other areas).

5. Conclusion:

CSR can only be socially responsible when it is ethically responsible; ethical responsibility is reflected in the corporate practices of its economic, social and environmental responsibilities by complying with and anticipating its legal obligations to shareholders and other stakeholders. Social, legal and ethical responsibilities overlap so that they can be viewed in an intertwined way; the realization of each step helps to achieve the rest. The region interest in corporate social responsibility is a moral imperative for Arab and Islamic culture in MENA societies, which may explain why the companies are moving to a one-sided view towards philanthropic responsibilities through subsidies to their communities.

Companies in the region have found many ways to achieve sustainable development through public-private partnerships and their attempts to reduce the gap between education and formation and the labour market, by encouraging personal and youth initiatives in the establishment of small and medium enterprises, supporting youth employment initiatives in the region, and encouraging the involvement of women in economic life and leadership positions and fair opportunities for both genders.

The contributions of corporate social responsibility at the local and global levels and the efforts of public and private companies and civil society organizations of countries in the region cannot be denied, but they are still insufficient to promote the economies and societies of these countries for several reasons:

Instability in some countries of the region (**civil wars, cross-border displacement of refugees, terrorist attacks and military interventions**), which makes these areas unattractive to foreign investments and weakens its status and its negative impact on the business climate, it creates the inappropriate environment for the development of laws, amended to apply and comply it, to organize elections or forming governments in democratic ways;

- Although some countries in the region are rich in natural and oil resources, they are suffering from excessive energy consumption and a severe shortage of water resources. The dependence of some MENA countries on industrial activities negatively affects the environment;
- Companies in the region do not abide by common laws or standards or to prepare or submit annual development reports regularly due to the differences in laws defined for work and ethical and social responsibility charters and general charters of governance, initiative (eg. **“Hawkamah”** Regional Institute of Companies), drawn up by countries and companies in parallel with their cultural, societal needs, characteristics and the business environment;
- There is a broad trend towards new economic ideas and practices as Islamic microcredit in some countries of the region and despite the recognition of their impact on improving the social conditions of disadvantaged groups, the study of (**Berguiga & Yosra Said, 2017**) did not show significant differences compared to other financial institutions, such as the International Monetary Fund (IMF) and its branches, especially in regards to the social performance offered primarily to different groups;
- Figures indicating the rates of corruption and bribery or the possibility of it in the countries of the region or moral commitment, in general, cannot be viewed in a positive way, even in sensitive government sectors in areas of defence, security and financial crimes. This the most prominent challenges facing public and private companies in the region. This indicates a lack of commitment to law enforcement and compliance to legislation;
- Levels of transparency in the countries are also not high and do not exceed the companies’ commitments to shareholders and their financial shares and the activities of the company and some financial reports, but they are also insufficient with regard to responsibilities towards other stakeholders outside the companies.

Despite the efforts made in the MENA countries' to meet the requirements of social responsibility, there is an insufficient in activities and practices in the (03) key pillars underpinning the prevailing concept of social responsibility (economic, legal and ethical responsibilities) which in some way intersect to complement one another and to fulfil economic obligations only by setting, Comply with and enforce laws that guarantee shareholder rights, and laws do not

exist without a specific ethical framework that guarantees the rights of other stakeholders.

6. References :

- 1) A.Qureshi, A. L. (2015), Towards a new sustainable status quo for Ethical awareness & practice in Large Corporate & SME's using IT as a central facilitator of operations in the Middle East & North African region, the MENA Journal of Business Case Studies, 01-16. doi:10.5171/2015.395552.
- 2) Ashokkumar. S, (2014), Thoughts on Business Ethics and Corporate Social Responsibility from Vedic Literature (Vol. 11), Procedia Economics and Finance, Chennai. India.
- 3) B.Caroll, A, (1979), A Three-Dimensional Conceptual Model of Corporate Performance (Vol. 04), Academy of Management Review, Georgia, USA.
- 4) Baleix, J. M., & Federico Carril Caccia. J, (2018). Foreign direct investment in MENA: Impact of institutional context, FEMISE Med Brief No.03.
- 5) Berguiga. I. & Yosra Said, P, (2017), The social and financial performance of Microfinance institutions in the MENA region: Do Islamic Institutions Perform Better?34th International Conference of the French Finance Association AFFI, 01-17
- 6) Carroll. A. B, (1991), The Pyramid of Corporate Social Responsibility: Toward the Moral Management of the Moral Management of Organizational Stakeholders. Athens, Business Horizons, University of Georgia, USA.
- 7) Carroll. A. B. (2008), A History of Corporate Social Responsibility: Concepts and Practices, The Oxford Handbook of Corporate Social Responsibility, Oxford University Press, 19-46. doi:10.1093/oxfordhb/9780199211593.003.0002.
- 8) Carroll. A. B. & Kareem M. Shabana, (2010), The Business Case for Corporate Social Responsibility: A Review of Concepts, Research and Practice, p. 85-105.
- 9) Chauhan. S. & Amit, (2014), A relational study of firm's characteristics and CSR expenditure (Vol. 11), Procedia Economics and Finance, India.

- 10) Christensen, & al, (2007), Ethics, CSR, and Sustainability Education in the Financial Times Top 50 Global Business Schools: Baseline Data and Future Research Directions, (Vol. 73), DePaul University, Journal of Business Ethics, Chicago, USA.
- 11) Elgammal. W. & Abdul-Nasser El-Kassar. L, (2018), Corporate Ethics. Governance and Social Responsibility in MENA Countries, Management Decision. 273-291, doi:10.1108/MD-03-2017-0287.
- 12) Environmental, Social & Corporate Governance Practices in the MENA (2012-2013), Review of the S&P/HAWKAMAH Pan Arab ESG INDEX, 01-58.
- 13) Financial Crime in The Middle East and North Africa, (2015), Thomson Reuters. P. 01-15.
- 14) Garriga. E. & Dome`nec Mele, (2004), Corporate Social Responsibility Theories: Mapping the Territory (Vol. 53), Netherland: Journal of Business Ethics.
- 15) Gerged. A. M. & Christopher J Cowton. E, (2017), Towards Sustainable Development in the Arab Middle East and North Africa Region: A Longitudinal Analysis of Environmental Disclosure in Corporate Annual Reports, Business Strategy and the Environment, p.01-16, doi:10.1002/bse, 2021.
- 16) Halkos. G. & Antonis Skouloudis, (2016), Cultural dimensions and corporate social responsibility: A cross-country analysis. Munich Personal RePEc Archive (MPRA), p. 01-34, Récupéré sur [https://mpra.ub.uni-muenchen.de/69222./](https://mpra.ub.uni-muenchen.de/69222/)
- 17) Hot & Dry: Water Scarcity in The MENA Region, (2018), WHITE PAPER, p. 01-13.
- 18) Index Environmental, Social and Corporate Governance Practices in the Middle East and North Africa Region 2007-2017, (2017), Review of the S&P/HAWKAMAH ESG Pan Arab, p. 01- 40.
- 19) Institutionalising Public-Private Dialogue to Fight Against Corruption in the MENA Region, (2018), OECD Conference Centre (Paris, France), p. 01-04.
- 20) Koldertsova. A, (2010), The Second Corporate Govenance Wave in the Middle East and North Africa. OCED Journal. Financial Mmarket Trends, 2010(02), P.01-08.
- 21) Lythreathis. S.& Ahmed Mostafa, (2017), Participative Leadership and Organizational Identification in SMEs in the MENA Region: Testing the Roles of CSR Perceptions and Pride in Membership. Journal of Business Ethics, University of Bristol, UK. doi:doi.org/10.1007/s10551-017-3557-8.

- 22) McKee. M. & al, (2017), Demographic and Economic Material Factors. (W. Papers), MENARA Project (03), p.01-43.
- 23) Schwartz. M. S & Archie B. Carroll, (2003), Corporate Social Responsibility: a Three-Domain Approach, (Vol. 13), Business Ethics Quarterly, USA.
- 24) Schwartz. M. S.& Archie B. Carroll, (2008), Integrating and Unifying Competing and Complementary Frameworks: The Search for a Common Core in the Business and Society Field, (Vol. 47), Business & Society .
- 25) Sustainable Investment in the Middle East and North Africa Region Report, (2009), IFC Advisory Services in the Middle East and North Africa, p. 01-157.
- 26) Tehmina, & al, (2015), Regional Results MENA Ggovernment Defence Anti-Corruption Index, GI MENA, p. 01-28, doi:GOVERNMENT.defenceindex.org.
- 27) The 2016 Civil Society Organization Sustainability Index for the Middle East and NorthAfrica, (2016), the United States Agency for International Development (USAID), p.01-100.
- 28) Turnipseed. D. L, (2002), Are good soldiers good?: Exploring the link between organization citizenship behavior and personal ethics, (Vol. 55), Journal of Business Research, India, USA.
- 29) Velentzas. J. & Broni, G, (2010), Ethical Dimensions in The Conduct of Business: Business Ethics. Corporation Social Responsibility and the Law, The "Ethics in Business" As a Sense of Business Ethics, International Conference On Applied Economics – ICOAE.
- 30) What's Holding Back the Private Sector in MENA? Lessons from the Entrepriase survey (2016), European Bank for Reconstruction and Development, the European Investment Bank. and the International Bank for Reconstruction and Development / The World Bank, p. 01-147.
- 31) Bayt.com, (<https://www.bayt.com/en/blog/27020/bayt-com-infographic-how-csr-is-making-an-impact-in-the-middle-east-and-north-africa/>, 11/05/2020, 01:10)
- 32) Ramez T. Shehadi & Mounira Jamjoom, (<https://www.strategybusiness.com/article/00234?gko=b365d>, consulted on: 06/02/2019, 18 :47).
- 33) United Nation, (<https://www.un.org/womenwatch/daw/Review/responses/PALESTINE-Arabic.pdf>, consulted on: 30/03/2019, 20: 55).
- 34) Transparency Organization: (<https://www.transparency.org/news/feature/regional-analysis-MENA>, consulted on: 02/12/2019, 20 :39).