



# Palestinian Non Governmental Organizations (NGOs) and the Private Sector

## Potentials for Cooperation and Partnerships

## **Acronyms and Abbreviations**

CBOs: Community Based Organizations

CSR: Corporate Social Responsibility

MENA: Middle East & North Africa

NDC: NGO Development Center

NGO: Non Governmental Organization

OECD: Organization for Economic Co-operation and Development

oPt: occupied Palestinian territory

PA: Palestinian Authority

PCBS: Palestinian Central Bureau of Statistics

## Contents

Executive summary.....	5
Background .....	7
Corporate social responsibility and corporate philanthropy.....	8
The Mena context.....	9
The Palestinian economy and private sector.....	10
The Palestinian NGO sector.....	11
Purpose of the study.....	13
Study design.....	14
CSR and the role of the Palestinian private sector.....	16
Interview results and general trends.....	16
CSR relevant activities in 2008 and 2009.....	18
Sectors targeted by private sector CSR related activities.....	20
Changes in CSR related activities between 2008 and 2009.....	20
Company objectives (internal and external).....	21
Measuring the impact of CSR activities.....	22
Potential of cooperation with NGOs.....	22
Value of corporate support and donations during the period (2007 -2009).....	27
CSR and Tax issues:.....	29
CSR – Policy and Tax Issues.....	30
Palestinian Context.....	32
Summary of interviews’ findings.....	33
Conclusions and recommendations.....	37
Conclusions based on findings of the study.....	37
Conclusions and recommendations based on private sector focus group workshop.....	39
Conclusions and recommendations based on NGOs focus group workshop.....	41
Major recommendations.....	44
Annexes.....	45
Survey form.....	46
List of researched companies.....	54
References.....	56



## Executive summary

This study comes within the framework of the NGO Development Center's (NDC) efforts to develop the NGO sector to become more responsive, transparent and accountable to Palestinian communities. This is to be accomplished by setting standards and promoting collaboration within the NGO sector. It will be supported by strategic policy research, planning, and a strategic plan.

Consistent with NDC's mission, the major aim of this paper is to shed light on those aspects of corporate social engagement that concern the challenges of potential cooperation between NGOs and the private sector. Focus is on studying and researching the actual social conditions, characteristics, and behavior of the Palestinian private sector with respect to social responsibility, development and philanthropy. This study also aims to highlight potential mutual cooperation between the private sector and the NGO sector, with the intent of promoting further discussions among relevant stakeholders in the hope that a collective, comprehensive, and strategic framework for Corporate Social Responsibility (CSR) in the oPt be developed, adopted and applied.

The methodology utilized in this study was based on a literature review on the subject, in addition to studying and analysing 30 key private sector entities, which issue corporate social responsibility and sustainability reports. These selected companies represent relatively large-sized companies working in different sectors; the geographical distribution of these companies was also taken into consideration while compiling the list. Experience in corporate social responsibility and sustainability on the local level was also highlighted, in addition to a review of the current legal and institutional issues, such as tax implications, which can be a constraint on or a driver for CSR activities of the private sector. The review looked at the status of legal and institutional issues in more developed countries, as well as in the region, and tried to relate it to the local Palestinian situation. In addition, a review of the income tax law was conducted. This was followed by a number of structured interviews with professional auditors, working for a number of private sector companies that practice CSR, in order to identify the legal framework applicable to CSR and corporate philanthropy, and to understand what actually happens when private sector companies exercise their role toward the community. A meeting was also held with the Advisor to the Minister of National Economy, in order to identify the contributions and the role of the Ministry in activating the private sector's social responsibility. Questions on the subject were included as part of the questionnaire used in the pilot survey that was conducted on 30 private sector companies.

Results of the study indicated that CSR is considered to be of higher priority to larger

companies, especially public shareholding companies (13 of the researched companies were public shareholding companies). The study showed that all participating companies exercise this role driven by religious and moral concerns towards society, for example emergencies and religious events normally witness increased activities, as had been the case during the war on Gaza, when 27 of the researched companies responded and took action. Some of these companies have adjusted their set plans to accommodate this emergency need under their CSR.

Interview results show that 27 of the researched companies concentrate on activities targeting both the education and health sectors, while 15 concentrate on sponsoring sports clubs and supporting sports activities.

The interviews showed that 19 of the researched companies have cooperated with NGOs (or other parties) in implementing joint activities. The vast majority of the researched companies (27 companies) supported the principle of possible cooperation on CSR activities with NGOs and Community Based Organizations (CBOs). According to these companies, such cooperation would help achieve the best results for developing the society through a clearly defined strategy that is professional and transparent. Despite a positive attitude by a majority of the companies (23 or 27 companies) towards potential cooperation with NGOs and CBOs in conducting CSR initiatives, 11 of the researched companies pointed out possible disadvantages of such cooperation.

The study showed that the majority of the researched companies (20 companies) did not have a positive perception of Palestinian NGOs and CBOs and of the role they play in developing the Palestinian communities. On the other hand, while 11 of the companies expressed positive impression of NGOs and CBOs, 16 expressed the need for improvement in financial or administrative transparency and in terms of the type and quality of projects they implement. Most of the companies that looked at NGOs favorably also suggested improvements in the area of coordination in order to avoid duplicating efforts thus expanding the benefiting segments, and moving away from donor imposed agendas to more grassroots ones.

The researched companies highlighted the need for the Palestinian Authority to encourage CSR by setting a minimum percentage of profits that should be directed towards CSR or towards a fund that is used for CSR initiatives on the national level. A professional Palestinian auditor suggested that not all Palestinian companies are familiar with the law and suggested that it is the PA's responsibility to create awareness about the law through publications and awareness campaigns, and to train the Tax Department staff on dealing with tax exemptions

## Background

It has become very clear that the direct impact of new technology, current demographic trends, climate change, and general global health issues are creating a new environment with unfamiliar risks that directly affect the work of governments, civil society, and the private sector worldwide.<sup>1</sup> Therefore, multi-stakeholder collaborations and the engagement of the private sector have become very important for finding proper holistic and sustainable solutions to community problems. This implies that community empowerment means that all people should work together, including within the private sector, in order to raise the standard of life. It involves more people participating in the decision-making processes within their communities, and more people taking responsibility for tackling local problems, rather than expecting others to do so. Other factors that have motivated an increased interest in private-sector partnerships include a growing concern with the effectiveness of traditional development approaches, recognition of the impact of globalization and the resulting increase of private capital flows into the developing world, as well as an appreciation of the unique contribution potential of the private sector. This has advanced the case for business investment in development with mutual accruing benefits for both the community and business investors, when communities become development partners rather than passive recipients of philanthropy<sup>2</sup>. On the global level, Millennium Development Goal 8 (MDG) calls for a global partnership for development with specific references to the engagement of the private sector. In 2002, the World Economic Forum (WEF) launched a Global Corporate Citizenship Initiative that organized and mobilized its 1,000 corporate members around various development challenges. All of this has contributed to increasing the momentum toward corporate social responsibility (CSR).

For the reasons mentioned above, all citizens of a community must consider not only their own welfare, but that of the community of which they are a member; and since corporations do not operate in a vacuum, they operate in environments upon which they depend, they must, therefore, protect and help develop these environments. CSR encourages looking beyond short-term profits; it is again an investment in long-term sustainability.

---

1. World Bank Institute, the Center for International Private Enterprise (CIPE), the Egyptian Institute of Directors, and the Arab Labor Organization, "Corporate Social Responsibility and Corporate Citizenship in the Arab World." Draft Background Paper, November 2008.

2. World Bank Institute, Economic and Sector Work Summary, "Beyond Corporate Social Responsibility: The Scope for Corporate Investment in Community Driven Development," Report No. 37379-GLB, March 2007.

## Corporate Social Responsibility and Corporate Philanthropy

In the world of business and economic development, and during the past several years, many initiatives were developed to engage the private sector in activities that address society at large and the poor, in specific. These activities appeared under different descriptions and designations, but what all of them had in common was the willingness to go beyond the traditional business practices within companies. These activities can be classified under corporate philanthropy and corporate social responsibility.

As a concept, Corporate Social Responsibility (CSR) is about a holistic and sustainable approach to business that considers all its potential impacts on and responsibilities to society, the environment, and shareholders, rather than focusing solely on financial responsibilities to shareholders, as has traditionally been the case.<sup>3</sup> It is also a concept that includes the business management processes that companies employ to produce an overall positive impact on society; this includes, but is not limited to, commitments to sustainable poverty alleviation, job creation, and education. CSR programs should be implemented as strategically-planned efforts that are in consistent agreement with a company's strengths and are complementary to government programming. Furthermore, they should go beyond the scope of one-time philanthropic projects, particularly since CSR is more than charity. Good corporate citizenship must be an investment strategy in sustainability, one that entails looking beyond short-term profits and encourages companies to focus on addressing development concerns that could make a difference in their communities.

Corporate social responsibility (CSR) is one of many terms, such as corporate citizenship, business sustainability and corporate responsibility, which basically refer to the same principle: that a company in the private sector is not only responsible for making profits for its shareholders, but is also responsible for having positive impact on the communities, cultures, societies and environments in which it operates. According to the World Bank, CSR is the commitment of a business to managing and improving the economic, environmental and social implications of its activities at the firm, local, regional and global levels. The concept of CSR ultimately aims to reformulate the entire

---

3. Morton, V., "Corporate Fundraising," CAF/ICFM, 2002.

framework of business corporations to go beyond general limitations. This will require them to include CSR strategically in every decision making process so that it is an integral part of the corporation's modus operandi.

Philanthropy, on the other hand, is defined as the desire and effort to help and increase the well-being of mankind, through different means such as charitable aid or donations. The major driver of strategic corporate philanthropy is a focus on utilizing a company's core competencies in order to ensure maximum development impact with the philanthropy initiatives. The scale of giving means that private philanthropists have the potential to have a major impact on development. The World Bank estimates that in 2005, private donors gave more than US\$4 billion to international development. Although it is a small contribution compared to overall development assistance, which amounts to more than \$100 billion from member nations of the Organization for Economic Cooperation and Development (OECD), it is a significant amount compared to many individual country donations.<sup>4</sup>

## The MENA Context

The CSR activities that already exist in the Middle East and North Africa (MENA) may align with strong religious and cultural traditions. Corporate philanthropy inherently builds upon existing Islamic traditions such as Zakat, a religious pillar that obligates Muslims to donate a fixed percentage of their income to charitable causes or individuals in need. Both the zakat giver and receiver are considered to be purified or morally elevated by the transaction. The ideal use of zakat is to donate funds in a manner that will support or encourage the receiver's ability to be self-sufficient. Despite this principle, one Egyptian observer has noted that most contemporary zakat donors allocate their resources in a "scattered and unorganized manner", without realizing the potential impact of their funds.<sup>5</sup> It is worth noting that zakat and corporate philanthropy are two distinct phenomena. However, companies that implicitly or explicitly base their model of corporate philanthropy on the zakat philosophy may be faced with the potential multiplier effect due to the linking of these two concepts to their firm strategy. Zakat

---

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

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

funds, appropriately and respectfully integrated into a company's core business, could be a potentially powerful tool that would allow private sector firms to make significant and meaningful contributions to the societies in which they operate. Although CSR may have first been adopted by companies based in the West, there are several compelling reasons why its concepts are important and should be applied to the MENA context.<sup>6</sup>

## The Palestinian Economy and Private Sector

The Palestinian private sector has played an important role in providing employment and positive contributions to economic development over the past years. It is a very important factor in Palestinian economic growth and is expected to continue to play a major role in the future development process of Palestine. Since the establishment of the Palestinian National Authority (PNA) in 1994, numerous economic and development projects have been initiated, but the West Bank and Gaza Strip remain totally dependent on foreign support. The Palestinian economy is dominated by services, while industry remains underdeveloped. The agricultural sector is also underdeveloped due to restrictions on access to natural resources. Although the Palestinian Authority and the IMF projected a 7% real growth rate for 2009 in the West Bank, the economy remains weak in its efforts to recover from conflict, only reaching growth rates it had in 1999. The growth in the West Bank does not indicate higher output based on private investment in productive sectors, but instead an increase in donor-funded sectors such as health, education, and public administration. Meanwhile, sectors such as manufacturing, agriculture, and tourism indicate a declining rate. Concurrently, the economy in the Gaza Strip remains isolated. In the Gaza Strip, the economy is completely under siege by the Israeli occupation along with the entire Gaza Strip.

According to the Palestinian Central Bureau of Statistics (PCBS), 90.7% of the total establishments are owned by the private sector, 4.9% by the government, 3.3% by NGOs and 1.1% by local authorities, UNRWA and international organizations. In addition, around 296,965 persons are engaged in the operation of these establishments; 81.4% of them males (18.6% females), and 70.6% of them in the West Bank (29.4% in Gaza). The Separation Wall resulted in the confiscation of more than one fifth of the West Bank's most fertile cultivated land, the destruction of physical infrastructure, and the limited access to water resources. According to PCBS, it is estimated that 60.5% of the employed workforce works in the private sector compared to 25.2% working in the public sector. The main economic activity (54% of establishments) is in wholesale, retail trade and repairs, while 14% is in manufacturing.

---

6. From Corporate Philanthropy to Strategic Partnerships, DJORDJIJA PETKOSKI

Results of the survey conducted by PCBS indicate that the value of output in the occupied Palestinian territories (oPt) was \$5,199,100 million. This value was distributed by economic activity as follows: industrial activities, 39.6%; construction activities, 3.2%; internal trade activities 25.8%; services activities, 17.2%; and transport, storage and communications activities, 14.2%. Results of the same survey indicate that the value added in the oPt was \$3.384.1 million. This value was distributed by economic activity as follows: industrial activities, 28.6%; constructions activities, 1.5%; internal trade activities, 31.1%; services activities, 19.5%; and transport, storage and communications activities, 19.3%. Figure (1) shows the results by economic activity.

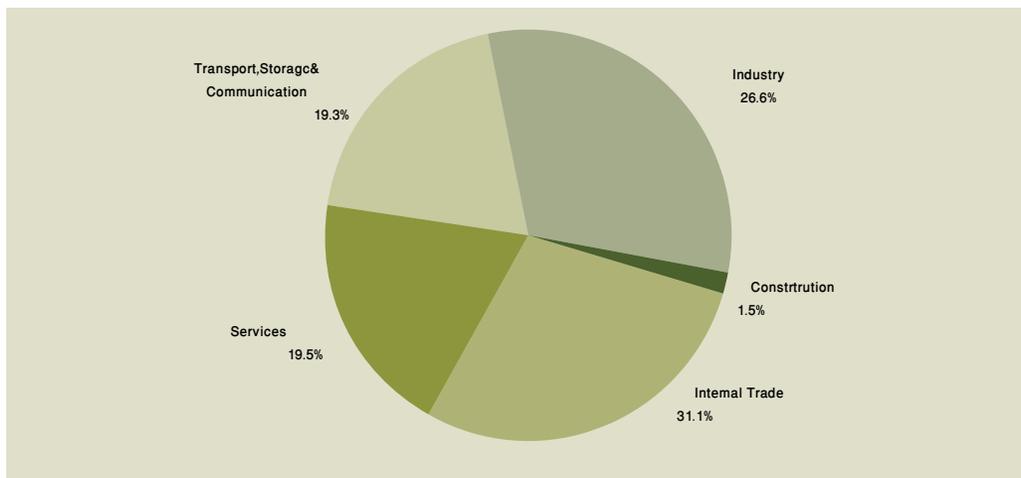


Figure 1 Distribution of Value Added in the Palestinian Territory by Economic Activity, 2008

In December 2007, the Palestinian Authority published the Palestinian Reform and Development Plan (PRDP), which contained a detailed three-year budget, laying out a path to fiscal strengthening. The Palestinian Authority has, since that time, implemented a number of reforms and made substantial progress towards improving its fiscal state.

## The Palestinian NGO Sector

Palestinian NGOs comprise a vital part of the Palestinian business community in terms of their role in service delivery and the socio-economic development process. They exist as a major pillar of Palestinian civil society, which is responsible for protecting citizens' interests, providing them with platforms for self expression, and reaching out with their services to the poor and marginalized. According to PCBS statistics on

Palestinian NGOs for the year 2007, there are almost 1,500 Palestinian NGOs active in the West Bank and Gaza, in addition to tens of NGOs that are registered at the Ministry of Interior and have yet to commence operations.

The term NGO is used in this paper to include charitable societies, development-oriented non-governmental organizations, community-based organizations (CBOs), and other non-profit groups organized to serve public interest. These NGOs have carved a space for themselves between the community, the government, donors, civic groups, traditional Palestinian organizations, and the international community. These NGOs are in a strategic position to influence the future of Palestinian society.

Regardless of how they are categorized and despite being heavily criticized under the current environment, NGOs continue to play an important role in maintaining social cohesion, ensuring that the poor (at least as many as those that they can reach) obtain their basic needs, promoting steadfastness among the population, and continuously articulating the social aspiration of the search for a vital Palestinian state.

Currently, a large percentage of NGO budgets come from international aid, reinforcing the idea that NGOs are being used as a tool for donors to dictate the national agenda in an unsustainable manner. There is also strong criticism towards the inefficiency and competition among NGOs. To increase effectiveness and efficiency in the delivery of services, awareness raising, advocacy, networking and partnership building are recommended as strategies to achieve this objective with little impact on other service providers. If successfully accomplished, this will enable NGOs to live up to the expectations of stakeholders, encouraging further investment. NGOs need to establish their credibility and increase public trust by ensuring that good governance becomes a prevalent practice among them. Applying good governance practices not only increases NGOs' sense of social responsibility, it also serves to create stronger ties between them and the community. Such a partnership, based on principles, strengthens the social fabric and promotes socially responsible behaviour, increasing citizens' attention to corrupt practices among other sectors of society. This will also help in addressing the issue of lack of transparency and accountability among NGOs.

While building partnerships and cooperation with the private sector, NGOs should also press for public interest reforms. The current phenomenon of private sector reform initiatives in good corporate governance and CSR are a result of aggressive campaigns of civil society organizations. Palestinian NGOs should support these causes in the local private sector to increase awareness of these matters and the practice thereof. CSR is becoming widely understood as a company's obligation to be sensitive to the needs of its stakeholders. It is closely linked with the principles of sustainable development

in proposing that enterprises should be obliged to make decisions based not only on financial and economic factors, but also on social and environmental consequences of their activities. The need for NGOs to improve their own practices of good governance in order for them to set the example in this concern should not prohibit them from advancing this cause within the private sector.

NGOs fill the following significant roles:

- (a) Pursuing the role of providing emergency and developmental services to the Palestinian people
- (b) Affecting and influencing legislation and public policies of the PNA
- (d) Enhancing cooperation, coordination, networking and consultation among various civil society institutions and organizations, the private sector, donors and United Nations entities in order to guarantee a real and fruitful development process.

## Purpose of the Study

As one of the pioneering, specialised, and exemplary institutions that offer support in developing and empowering Palestinian civil society institutions, the NGO Development Center (NDC) believes that cooperation with the private sector will ensure stronger and more financially sustainable NGOs and CBOs with the hope that this will lead to a stronger community. The private sector is part of the local community and, therefore, requires a direct link and cooperation with the NGO/CBO sector. Moreover, there is a need to engage people in expanding traditions of philanthropy and volunteerism in order to encourage working together to strengthen the Palestinian social and economic structures.

To this end, NDC initiated a study that aims to take the lead in furthering discussions with relevant stakeholders in the hope that a collective, comprehensive, and strategic framework for corporate social responsibility in Palestine be developed, adopted, and applied. The main objective of this study is to promote cooperation between NGOs and the Palestinian private sector with the possibility of direct support from NDC, as a local, innovative, Palestinian, non-profit organisation that empowers Palestinian NGOs to better provide the necessary services to poor and marginalised Palestinians living in the West Bank and Gaza. It is hoped that this study will be supported by and followed up with actual initiatives that examine this possibility.

A major subject to be explored in the study is the potential collaboration of NGOs and the private sector, as both actors are important players in community development and sustainability. The legal and institutional constraints of this collaboration will be examined and policy recommendations for addressing these issues, including advocacy for tax exemptions for private sector contributions to NGOs and other community actors, will be provided.

The study is based on data collection, discussions, and meetings with active persons and bodies in the Palestinian private sector and civil society, as well as relevant sources of information. It is hoped that the information gathered through this study will shed light on the availability of CSR programs in the Palestinian private sector and help explore the ability and willingness of private sector entities to support Palestinian civil society. The study will review NGO and private sector initiatives. Focus will be on Palestinian and neighbouring country examples, and will include present and past private sector activities and experiences in corporate social responsibility. Further development of these initiatives will be used as a base for this study. The study will rely on both needs assessment information and NDC experience with local NGOs, including CBOs, the primary focus of the study. It will highlight potential opportunities for cooperation and support by the private sector. The results and information gathered from the above steps and meetings could lead to the development of a major pilot proposal(s). This should take into consideration the scope of work of both private-sector entities and NGOs.

## Study Design

To achieve the objectives of the study, desk research was conducted. This included reviewing NDC's related documents and research; relevant reports and news items related to the NGO and private sectors; identification of key private sector entities, which issue CSR reports; studying, analysing and summarizing key issues; and reviewing annual reports, publications, and previous evaluations of the present status of the Palestinian private sector. Research on the experience of CSR locally and in neighbouring countries was also conducted; this included a review of some of the available examples of initiatives such as MADRASATI, INJAZ, and others. A review of the current legal and institutional issues, which can constrain or drive private sector activity in CSR, was conducted including tax implications.

A field survey was also conducted where information from the private sector was collected through meetings with the largest private sector companies. Open discussions

guided by a set of well thought of and designed questions and talking points were used in order to engage the business leaders and get them to consider the impact of CSR on communities and social prosperity, and the possible cooperation with NGOs on CSR initiatives. The intention was also to gain feedback and input on key issues and leads on ideas emerging from within the private sector, which can be further developed and built upon to achieve the study goals.

A list of 39 companies, covering different sectors and geographical areas, was prepared; 30 companies from this list were actually surveyed. The survey form was revised by several individuals involved in the study and was finalized after incorporating all provided comments and feedback. A training session was held on survey tools for the field staff and meetings were scheduled with the different companies to collect the needed information.

Two workshops were conducted, one for selected private sector entities and the other for selected local NGOs; analysis of the results of the collected data was presented during both workshops, and feedback and recommendations from both workshops were also included in this report.

## CSR and the role of the Palestinian Private Sector

A pilot survey was conducted to support this paper; this included meetings with 30 selected private sector companies in the West Bank and the Gaza Strip. The selected companies are relatively large in size and in the number of their employees in comparison to other companies in their given sectors. It is worth noting that three of the largest companies did not respond positively to our request to partake in the study; this was due to internal concerns within the companies. Therefore, other meetings with companies of similar size, activity and geographical distribution were arranged.

Based on the interviews held, analysis of the characteristics and behaviour of the Palestinian private sector with respect to social responsibility, development and philanthropy took place. The analysis provides highlights of potential cooperation with NGOs on initiatives and programs addressing different areas of society.

It is important to note at this stage of the study, that the ongoing severe conditions affecting Gaza had impact on attempts to meet with the different companies. It is evident that what remains of the Gaza Strip's private sector continues to struggle in its efforts to maintain operation. As such, a section on Gaza's private sector CSR is included near the end of this report.

The following sections will provide the results of data analysis extracted from interviews with Palestinian private sector companies.

### Interview results and general trends

During the inter views with the companies, it was obvious that there is a general misunderstanding of the concepts concerning CSR. For example, some companies considered marketing activities as part of their social responsibility program, which included activities like sponsorship of exhibitions and conferences; while other companies focused more on CSR as a program related directly to serving and developing local communities.

Data and information was collected from researched companies by interviewing senior management staff, including the General Manager, Marketing Manager, Public Relations Manager and Financial/Administrative Manager. The companies demonstrated an interest in the subject of social responsibility and in NDC's efforts; senior management staff included 11 General Managers of the researched companies, 10 Financial/

### The reaction of the private sector to the attack on Gaza

The Palestinian private sector supported the Gaza Strip during the 2008/9 attack and in its aftermath by responding rapidly to accommodate the needs of the people, especially in the absence of official institutions. The private sector played a major role in trying to provide supplies that were in shortage due to the siege. Since there was no way to transfer funds directly into the Strip, the private sector contributed with in-kind donations such as food, medical supplies, cleaning materials, and clothing. There were many important initiatives by the private sector during the crisis, including but not limited to:

- The initiative of the Association of Banks in Palestine, working together with the local banks in Palestine to dedicate a day's wages by all the staff for the benefit of the Gaza Strip. The banks themselves contributed by matching what was donated by the staff.
- The Initiative of the Palestinian pharmaceutical companies to send medicine to the Strip in coordination with international institutions such as the United Nations.
- The initiative of the Private Sector Coordinating Council urging private sector companies to donate in-kind materials to the Gaza Strip. Donations were collected and sent to Gaza in coordination with international institutions.

This prompt positive response by the private sector is part of the private sector social responsibility and took place by reallocating funds from the marketing and public relations budgets for most companies, or making the necessary funds available by others.

Administrative Managers, 7 Marketing Managers, and 2 were Public Relation Managers.

The geographical distribution of the companies was taken into consideration when compiling the list. Seventeen companies from the sample used were located in the central West Bank, the base for most large companies; seven were in the northern West Bank; and six were in the southern West Bank.

The distribution of companies per type and the number of staff was as follows: 13 of the companies were public shareholding companies, 11 were limited liability companies, and 6 were partnership companies; three companies had more than 200 employees, two companies had 150-200 employees, six companies had 100-150 employees, eight companies had 50-100 employees, and eleven companies had less than 50 employees.

In the Gaza Strip, meetings were conducted to complement the West Bank component of the study. Results

indicated that private sector companies had very limited CSR related activities in 2009 and in previous years. In some cases the nature of contributions was in-kind donations of company products and cash donations to charities or directly to individuals and families in need. The main motivation behind donations was the religious belief of supporting the needy in society and, to a lesser extent, to promote the company and its products in the community. There were no indicators of the impact of contributions on society or on the company itself. The total value of the contributions that were made

by the four surveyed companies during 2008 was \$40,000, of which \$20,000 was in-kind contributions. In 2007, the total amount of contributions was around \$33,000, of which \$13,000 was in the form of in-kind contributions. Based on the interviews held, none of the companies in Gaza register their donations for tax purposes

## CSR relevant activities in 2008 and 2009

The activities mentioned by the companies differ depending on their motivations and drivers as follows:

- 1) Religious and moral motivations and drivers:** this group of companies is normally not interested in promoting their efforts. Their focus is on a certain group beneficiaries where their activities are done very discreetly. Most of the companies that participated in the survey exercised this role, motivated by religious and moral concerns towards society. Fifteen of the researched

### Palestinian Brothers Campaign

In response to the 2006 salary crisis and the general economic downturn in Palestine, an initiative was launched by PalTel and PADICO to distribute food coupons worth NIS 500 (\$111) to low-income PA employees and the families of detainees. The campaign targeted 40,000 employees, who earn less than 1,500 NIS, in addition to 10,000 families of martyrs, prisoners and the wounded.

companies indicated that this is the only motivation behind their contribution towards society. As a result of legislation slowing down this type of activity due to fear of supporting terrorism, companies are extremely cautious when it comes to donations, because of concerns that aid will be diverted and will not arrive to the needy. About half of this group of companies resorted to only donating their products as an alternative to direct financial support. Some financial donations are done through organizations

rather than directly to individuals. These include donations in the form of scholarships provided directly to universities and to hospitals for medical and surgery expenses. Additionally, some companies have adopted poor families and are supporting them through monthly wages. Many of the companies in this group are more active during emergencies and religious events. These activities increased noticeably in the wake of the war on Gaza. The efforts of humanitarian activists and NGOs have encouraged companies to donate in-kind or cash for Gaza, and their efforts were proven effective, as 27 of the researched companies

### Philistia Foundation (The Corporate Foundation of the Paltel Group)

The Philistia Foundation is an independent, non-profit organization established by the Paltel Group in 2008 as a direct response to the growing needs of Palestinian society. The Foundation is the first of its kind: an indigenous, self-financed, corporate-supported foundation. Its original name, the Paltel Group Foundation, was changed to the Philistia Foundation in early 2009.

The Foundation focuses on various forms of youth empowerment by providing equal opportunities to all segments of society in education, by promoting knowledge based society, by encouraging entrepreneurship, and by identifying role models to inspire future generations of Palestinians. Its philosophy is to contribute to the national development of Palestine and the human development of Palestinian society through partnerships with all of society's stakeholders and with the Palestinian Diaspora, since only an integrated approach to human development can succeed.

responded and took action. Some of these companies have amended their preset plans to accommodate this emergency need under their CSR activities. Religious occasions, such as the holy month of Ramadan, represent a period of concentrated activities by private sector companies, whether they have CSR strategies and plans already in place or by those who are merely responding to requests for assistance.

**2) Social Responsibility:** Corporate social responsibility (CSR), corporate citizenship,

business sustainability and corporate responsibility, refer basically to the same principle: that a private sector company is not only responsible for making profits for its shareholders, but rather has to have positive impact on the communities, cultures, societies and environments in which it operates. Therefore, the major motivation and driver for this group is

“social responsibility”. This group of companies is considered to have evolved from the practice of social responsibility out of religious and moral motivations and drivers. It was found that around 15 of the researched companies adopted this type of ‘social responsibility’ perspective. The concept also includes social accountability, which is a relatively new concept in Palestine that first appeared in 2008. This concept was mainly adopted by leading public and share holding companies. Only three of the researched companies take social accountability into consideration. Recently, an SA8000 certificate, which is directly related to labor conditions in a company and is part of social responsibility, was awarded to Anabtawi Company to help its efforts in joining the world Fair Trade organization.

## Sectors targeted by private sector CSR related activities

Interview results indicated that 27 of the companies concentrate on activities targeting both the education and health sectors, while 15 companies concentrated on sponsoring sports clubs and supporting sports activities in an effort to address the interests of youth, especially in the geographical location of the companies' headquarters. Nine of researched companies have sponsored an exhibition, a conference or a festival. Up to 26 of the companies have made donations to legally registered charities.

The following chart illustrates the distribution of respondents that support specific sectors with sponsorship and donations:

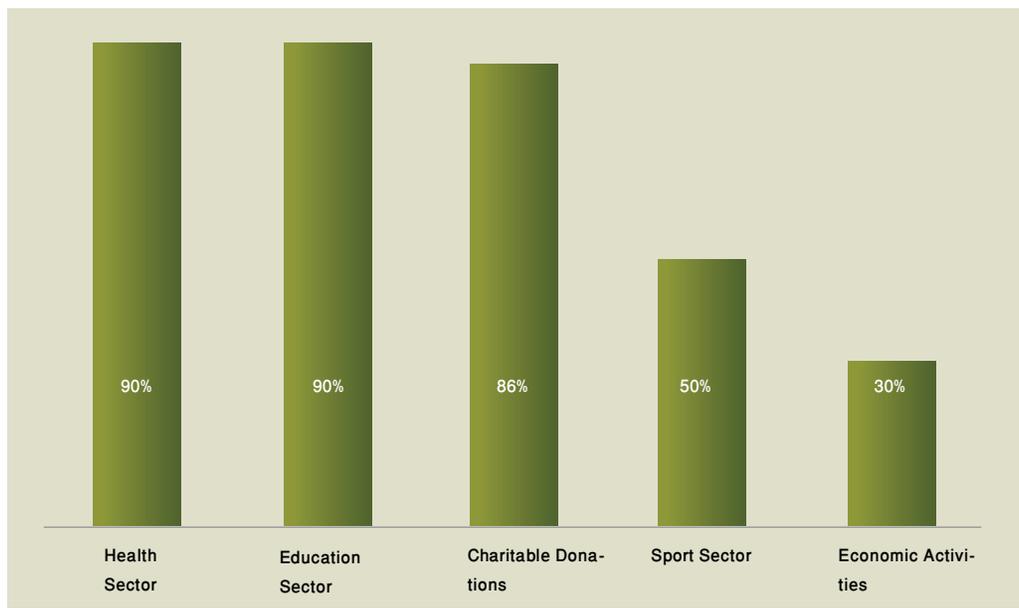


Figure 2 Sectors targeted by companies

## Changes in CSR related activity between 2008 and 2009

Twenty-one companies did not demonstrate any kind of change in the way they conducted their CSR related activities between the years 2008 and 2009; neither in terms of activity type, in spending amounts, nor in targeted sectors. Changes in the activities for the remaining nine companies took place as a reaction to the attack on Gaza.

It is noted that 22 of the companies undertake CSR related activities based on specific demands made by different parties for assistance, on their judgment on the reliability and trustworthiness of the party, and on pending approval by the company's top management. Only 8 of the companies conduct their CSR related activities based on an already existing and approved plan.

It is also important to note that only 3 of the companies have had a specific budget set for the purpose of CSR; this implies consideration of developed strategic CSR. The majority of companies act based on several factors, including political and financial circumstances, society needs, and the benefit to the company from the initiative.

## **Company objectives (internal and external)**

Interviews conducted with the companies revealed the different objectives companies aim to achieve, both for society and for the company itself, when conducting CSR related activities. The objectives can be described as follows:

- Twenty-one of the companies had the objective of helping Palestinian society sustain itself and helping communities develop.
- Twenty-one of the companies believed in supporting the needy and that the poor have a right to a share of company profits, in accordance with religious beliefs.
- Improving the company image and that of their products was the primary aim of 17 of the companies, in order to compete with Israeli and imported products.
- Seven of the companies were not able to identify specific objectives (internal or external) that their CSR related activities attempt to achieve.
- Three of the companies believe that CSR is a useful tool in attracting highly qualified personnel to their company.
- Six of the companies indicated that their objectives were to preserve employee loyalty.
- One company aimed at obtaining an international certificate for adopting social responsibility.

After reviewing the objectives set by private sector companies for their CSR related activities, one can conclude that both company marketing and social objectives are major targets for companies. Companies indicated equal interest in improving their image and promoting their product to that of their concern for supporting their own societies through donations and contributions to social activities. It is suggested here that having both objectives in place might best ensure long-term viability and success of an initiative for any company.

## Measuring the impact of CSR activities

**Measuring the impact on society:** The majority of researched companies (19) do not measure the impact of their CSR activities have on society. Only 11 companies measure the impact through reports they receive from benefiting organizations.

**Measuring the impact on the company:** Half of the researched companies measure the impact of the activities on the company itself by evaluating the increase in sales of and demand for company products, and by communicating with new customers.

## Potential of Cooperation with the NGOs

### Existing cooperation between the Private Sector and NGOs

It was found that 19 companies have had cooperation with NGOs (or other external parties) through joint activities. The remaining 11 companies conducted activities without cooperation with NGOs due to the lack of mutual objectives or company internal issues such as budgetary, time or administrative constrains.

Parties that private sector companies cooperated with in conducting their CSR activities include:

- Universities, through sponsoring educational workshops and providing student grants
- Charitable organizations, either through in-kind or financial contributions
- Trade unions and industrial institutions (medical, pharmaceutical or engineering)
- Municipalities, through environmental protection campaigns
- Organizations carrying out economy related events and festivals.

## The need for cooperation with NGOs and Community Based Organizations (CBOs)

The vast majority of companies (26) encouraged the principle of cooperation on CSR activities with NGOs and CBOs in order to identify the best ways for developing society through a clearly defined strategy that is professional and transparent.

### Pros and cons of cooperation with NGOs and CBOs on CSR

The majority of researched companies (23) indicated positive attitudes toward possible cooperation with NGOs and CBOs in conducting CSR initiatives. Five companies did not respond to this question and two had negative attitudes toward any possibility of cooperation. On the other hand, the majority of the researched companies (20) did not have positive perceptions of NGOs and CBOs and of their existing role in developing Palestinian communities; 10 of the companies expressed positive perceptions of the existing role of NGOs and CBOs; and 16 expressed the need for improvement, especially in financial and administrative transparency and in terms of the type and quality of projects they implement.

Most suggested improvements were in the areas of minimizing the overlapping and duplication of NGO and CBO efforts, expanding the benefiting segments, and moving away from donor imposed agendas to more grassroots ones.

Some of the pros of this cooperation, as stated by the researched companies, are as follows:

- Correctly identifying and targeting sectors that need help within society
- Assisting smaller companies establish ties with other private sector companies and NGOs in order to participate in helping society
- Helping to achieve objectives
- Best achievements through supporting specialization.
- Expanding the recognition of the company to all parts of the country

Twelve of the companies pointed out possible disadvantages from such cooperation. Some of those cons include:

- Having more than one entity involved in CSR initiatives will minimize the amount of attention and recognition that a specific company may receive.

- Companies are driven by publicity and are more interested in marketing than meeting society's needs.
- Companies will be trying to maximize their own benefit rather than giving equal recognition to different participating entities.
- Lack of seriousness by implementing institutions

## In the case of cooperating with NGOs and CBOs

### Possible areas for benefiting society:

Companies showed greater interest in implanting CSR initiatives in certain sectors when cooperating with NGOs. Twenty-two companies were drawn to CSR initiative in the education sector, while thirteen companies were drawn to CSR initiatives in the health sector.

The following chart illustrates the different areas and the distribution of interest amongst companies.

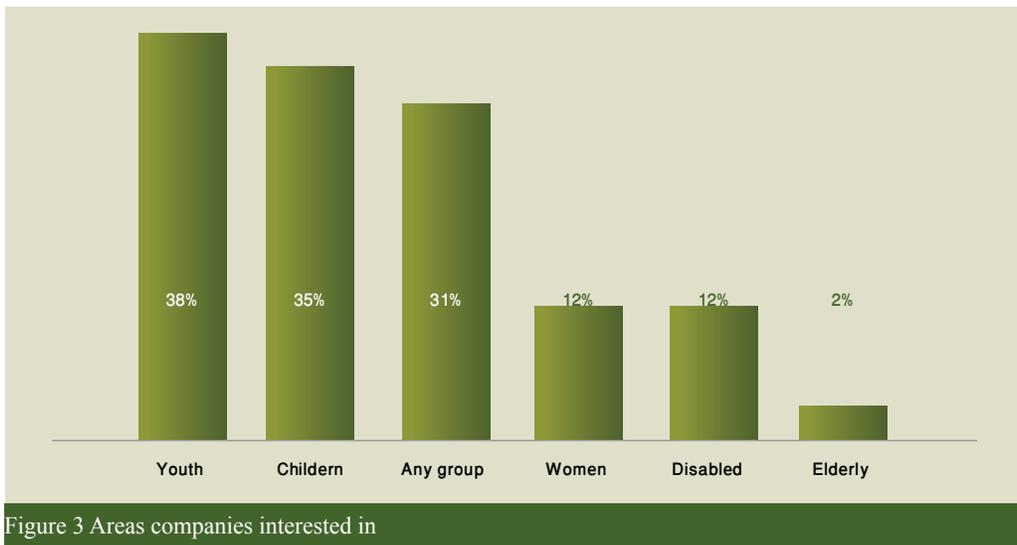
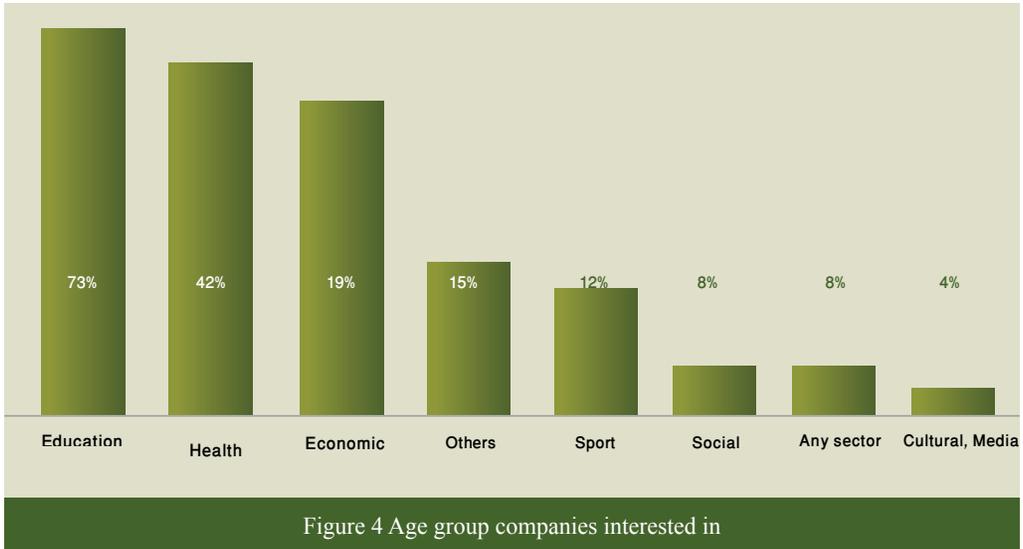


Figure 3 Areas companies interested in

### Primary beneficiaries from the activities (in cases of cooperation):

Eleven companies were interested in CSR initiative targeting youth, while ten companies were interested in targeting children. Nine of the companies had no target group preference. The following chart demonstrates the distribution of the target beneficiary group based on the companies' feedback.



### Targeted geographical locations (in cases of cooperation)

The majority of companies did not specify a geographical preference for activity implementation. Five companies indicated that they would prefer to conduct activities in their own geographical area.

### Initiatives that attracted the attention of private sector companies

Nine companies indicated that they were not drawn to take part in any specific initiative, while the remaining 21 companies wished they participated in one of the following initiatives.

- DEEP<sup>7</sup> initiative, supervised by UNDP, attracted interest because the initiative demonstrates practical ways in dealing with the poor through assessing their capabilities and developing programs to improve their economic situation.
- INJAZ attracted interest because the company employs new graduates and provides them with necessary training, effectively integrating them into the

7. DEEP (Deprived families Economic Empowerment Program) is a USD 30 million UNDP initiative that ran between June 2006 and Dec 2008 with the primary objective of improving living conditions by supporting self-employment and micro-enterprise development. The goal was to reduce unemployment, achieving higher economic growth and reducing poverty through providing financial and business services to deprived Palestinian families.

work place.

- Palestine Investment Conference could be considered one of the success stories for the sponsors.
- The World Food Program project, in cooperation with local schools, encourages the adoption of vitamin-fortified milk to students' diets. This garnered interest because it helps promote the company's products along with their CSR initiative.
- Israeli products boycott initiative, as this initiative promotes local products.
- Zaina<sup>8</sup> initiative has had a positive role in helping children with cancer.

---

8. Zeina is a program aimed at raising awareness in the community about cancer, what causes it and the current conditions children are being treated for. They have worked on campaigns to make information available to the public about cancer, patient conditions and the psychological, social and medical effects of the disease.

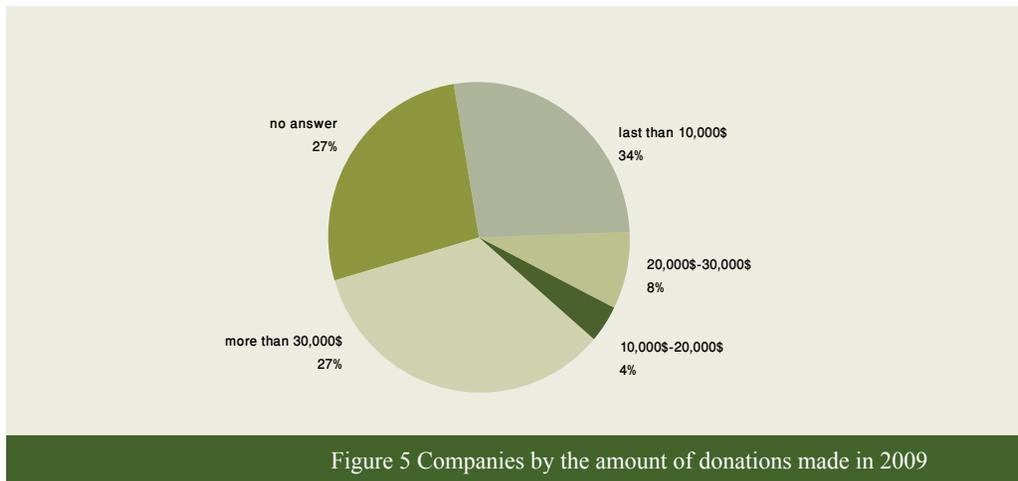
## Value of corporate support and donations during the period (2007 -2009)

Donations made by the companies peaked in 2008, and then dropped by 11% in 2009 due to the deterioration of the political situation and the international financial crisis.

### For the year 2009 (cash and in-kind donations)

Twenty-one companies were willing to share their financial information, revealing \$1.9 million in donations in 2009. One company donated a total of \$1.4 million. A total of \$500,000 was donated by the remaining nineteen companies.

The following chart illustrates the percentage distribution of company donations (2009).



Twenty-one companies keep no record of in-kind donations. The remaining nine companies have made in-kind contributions totalling a value of \$177,000.

### For the year 2008 (cash and in-kind donations)

The total amount donated by the reporting companies during 2008 was \$2 million. A total of nine companies donated less than \$10,000 each. Two companies donated a combined total of \$1.5 million. The remaining 19 companies donated a total of \$475,000.

The following chart illustrates the percentage distribution of company donations (2008).

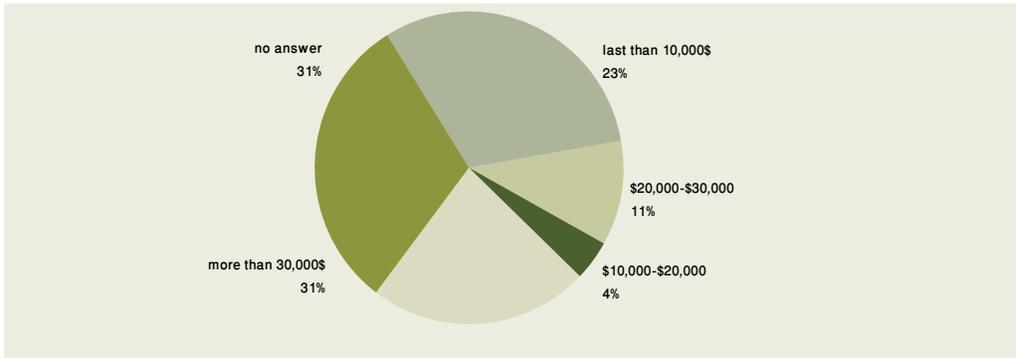


Figure 6 Companies by the amount of donations made in 2008

Only nine companies keep records of in-kind donations, revealing a total of \$170,000 in donations in 2008.

For the year 2007 (cash and in-kind donations)

The total amount donated by the reporting companies during 2007 was \$600,000.

The following chart illustrates the percentage distribution of company donations (2007)

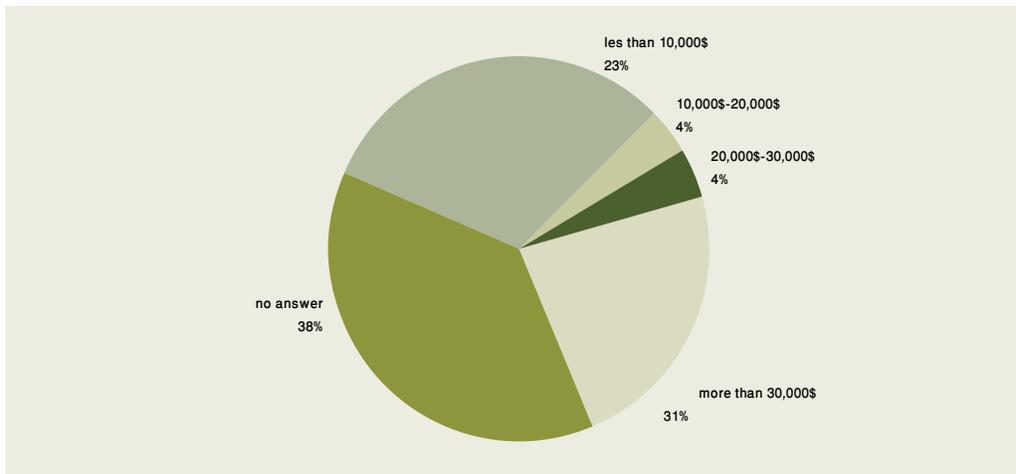


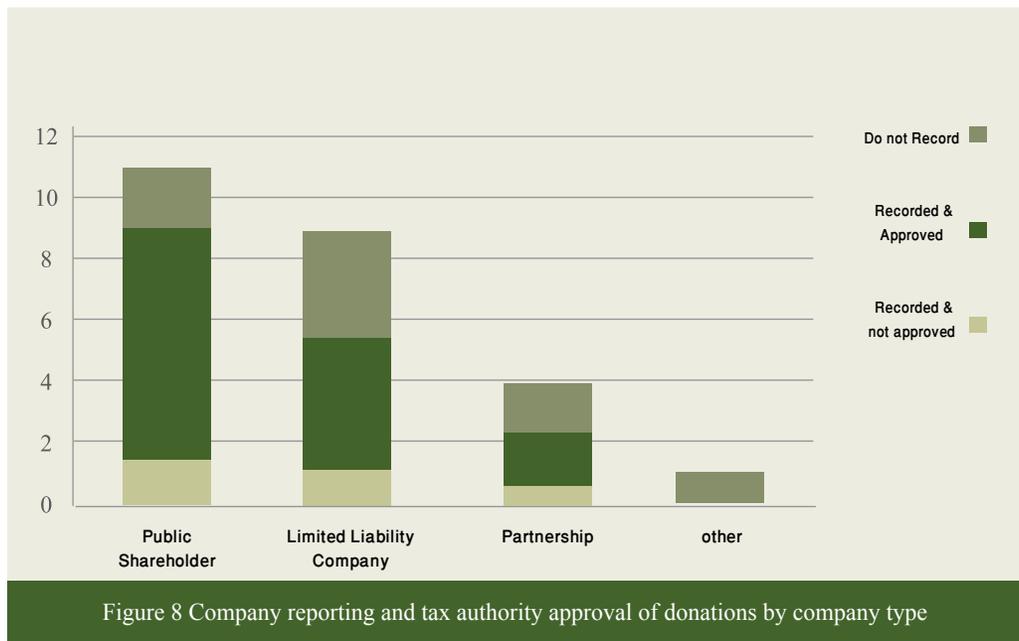
Figure 7 Companies by the amount of donations made in 2007

A total of \$142,000 was donated in in-kind donations in 2007.

## CSR and Tax issues

Seventeen companies reported their donations in their tax statements and were, therefore, accepted for tax exemptions by the Income Tax Department. Although five other companies declared their donations, they have not been approved by the Income Tax Department, despite the presence of a law clearly stating that properly documented donations are tax deductible. Eight companies do not report their donations, treating them as company expenses.

Additionally, the following chart illustrates that larger companies with greater donations are more likely to declare their donations to the Income Tax Department and are less likely to be rejected, while the opposite holds true for smaller companies.



## CSR – Policy and Tax Issues

Supporting and bolstering the adoption and implementation of CSR practices can be facilitated by governments through the creation of a policy environment conducive and rewarding to the incorporation of CSR. For example, governments can bring national laws and legislation into compliance with internationally recognized CSR-related management and reporting standards. Governments can also facilitate capacity building and awareness-raising on CSR-related issues. They can encourage, and engage in public-private partnerships to promote positive social change and to achieve developmental, environmental and social goals. Placing emphasis and passing legislation on transparency and accountability in reporting is also important and signals to companies, both multinational and local, that CSR is being taken seriously<sup>9</sup>. It also sends an important and positive message to the investment community. There is considerable progress at the policy level. The MENA-OECD Investment Program launched a Responsible Business Forum, during its ministerial meeting held in Cairo on November 27<sup>th</sup> and 28<sup>th</sup> 2007. This forum is chaired by Egypt. On July 11, 2007, Egypt became the first Arab, as well as the first African, country to sign the OECD Declaration on International Investment and Multinational Enterprises. Top officials and ministers in many countries are taking a serious look at the environmental and social challenges in order to find solutions through engaging businesses. At the regional level, steps have been taken to institutionalize the idea of CSR.

Many countries have tax laws that allow companies to deduct their donations from their taxable earnings. Jordanian law<sup>10</sup>, for example, allows the deduction of any donations paid for philanthropic reasons such as CSR programs to up to 25% of the total taxable income. Some countries go beyond providing tax breaks. For example, in Egypt, the 1994 tax law declared that companies may deduct donations and assistance to the government, local authorities and public bodies without limit. This was done in order to redirect the private sector's charitable donations towards implementation of development projects, which contribute directly to the public sector's economic and social development agenda. Donations to legally registered charities, social welfare

9. Khan, Masoud Ali. "Giving Back: Corporate Social Responsibility in the GCC". Zawya. Online. 8<sup>th</sup> November, 2007.

10. الاردن - قانون ضريبة الدخل قانون رقم (٥٧) لسنة ١٩٨٥ المعدل بالقانون رقم (٤) لسنة ١٩٩٢ (المعمول به اعتباراً من ١/١/١٩٩١) بالقانون رقم (١٤) لسنة ١٩٩٥ (المعمول به اعتباراً من ١/١/١٩٩٦) بالقانون رقم (٢٥) لسنة ٢٠٠١ (المعمول به اعتباراً من ١/١/٢٠٠٢) والأنظمة والتعليمات الصادرة بموجبه

organizations, educational institutions and hospitals under government supervision are deductible up to 7% of the net profit per year. Nevertheless, due to the bureaucracy required to receive this exemption, most companies have not applied to obtain it. Though most donations by local companies are driven by religious beliefs and a sense of duty to help the poor, the government should simplify the processes corporations must undertake to obtain tax deductions for their contributions, as this might encourage corporations to participate in donation<sup>11</sup>. In France, and since 1987, the Ministry of Ecology and Sustainable Development (MESD) awards an annual prize to companies with outstanding performance with regard to the environment and sustainable development. The Enterprise and Environment Award aims to motivate companies to comply with national standards. This is an example of public-private cooperation.

The MESD also publicly endorses environmental certification and runs campaigns on ecological labels( ecological labels are a product label seal that makes it easier for consumers to identify and choose green products. It is a voluntary scheme designed to encourage businesses, services and market products to advertise they are kinder to the environment. In the UK, providing incentives, such as awards for best-practice rankings, is another means to foster CSR. This method utilizes corporations' interest in improving their reputation. The UK government supports a series of awards such as the Queen's Awards for Enterprise, Business in the Community(BITC's) and Business, Enterprise and Regulatory Reform (BERR) Awards for Excellence and BITC's Corporate Responsibility Index, which is sponsored by BERR. There are also indirect measures for incentivizing CSR behavior through fiscal policies. One example of such policy is Community Investment Tax Relief, which encourages private investments in enterprises in deprived and underinvested communities. Another is Payroll Giving, which encourages employees to donate to charity by authorizing a direct deduction from their gross pay before tax. Providing such options to employees is increasingly seen as an essential measure for employers to demonstrate their social responsibility to their staff and the community. Although the UK has no national ecological labeling program to raise awareness for sustainability, the emphasis put on already existing green labeling can be regarded as a consumer awareness-raising measure. One example of this is the European eco-label The Flower, which is mainly promoted through the Department for Environment, Food and

---

<sup>11</sup>[http://www.bertelsmann-stiftung.de/cps/rde/xbcr/bst/CSR\\_Navigator\\_lang.pdf](http://www.bertelsmann-stiftung.de/cps/rde/xbcr/bst/CSR_Navigator_lang.pdf)

Rural Affairs (DEFRA). The British government is also a strong supporter of fair trade; the Public Sector Food Procurement Initiative (PSFPI) aims to encourage public sector bodies to manage catering contracts in a way that promotes sustainable development by favoring fair trade products. It opens up opportunities for local as well as national suppliers, which are also supported by the Office of Government Commerce Guidance on Fair and Ethical Trading. In addition, Department for International Development (DFID) engages in various measures to endorse fair trade as a pro-poor policy to meet the Millennium Development Goals by supporting fair trade certification programs such as the Fair-trade Foundation through the Development Awareness Fund.<sup>12</sup>

## Palestinian Context

For the purpose of study on the present situation of social responsibility in the oPt, an examination of the legal and institutional constraints is conducted herein. The findings will help NDC design initiatives and identify areas where lobbying is needed to improve the CSR environment.

In order to identify the legal framework applicable to CSR and corporate philanthropy, and to understand what actually happens when private sector companies exercise their CSR role in the community, a review of the income tax law was conducted, guided interviews with professional auditors were also conducted alongside a number of private sector companies who practice CSR. Additionally, a meeting was held with the advisor to the Minister of National Economy in order to identify the role of the Ministry in activating the private sectors' social responsibility and its contributions. Finally, questions on the subject were included as part of the survey that was conducted on the 30 private sector companies.

## The Tax Law

Since the establishment of the PA, the Jordanian tax law (Law No. 25, year 1964) has been enforced in Palestine. A new Palestinian tax law was issued in 2004 and entered into force in 2005. In 2008, adjustments were made to the 2004 law, which is still applicable today.

---

<sup>12</sup>The CSR Navigator Public Policies in Africa, the Americas, Asia and Europe

## 1. References to donations in Tax law No.2 , 2008

Article 9: conditional reductions on income tax, Tax law No.2 of 2008:

- Article 9, Item 3: donations paid to Palestinian registered Zakat funds, charitable associations, non-for-profit organization and PA bodies (in response to official public invitation) not to exceed 20% of net income.

## 2. Difference between Law 2 (2008) and Law 25 (1964)

- For donations paid under Law 25 (1964), the maximum limit for reduction made on net income was 25%. Under 2008 law, the maximum reduction made on net income dropped back to 20%.
- Law 25 of 1964 allows donations to charitable organizations only. Law 2 of 2008 allows donations to be made to Zakat funds, charitable organizations, non for-profit organizations and PA bodies in response to official public invitation.
- Law 2 of 2008 granted eligible acquittal of reductions in other articles that were not in the 25 of 1964 Law.

## Summary of interviews findings

### a. Large private sector companies

Some of the interviewed private and public shareholding companies and one professional auditing firm have stated that they normally do not encounter problems with having their CSR activities reported as exemption from the income.

The total donated amount is documented in legal records and supporting documents, and is reported in the financial statements submitted to the Income Tax Department in order to benefit from item (3) of Article (9) under the Income Tax Act.

Additional comments made by the companies highlighted the need for the PA to encourage CSR by setting a minimum percentage of profits to be directed toward CSR or toward a fund that is used for national CSR initiatives.

The auditor highlighted that not all Palestinian companies are familiar with the law and suggested that the PA should do the following:

- Create awareness about the law through publications and awareness campaigns.
- Train the Income Tax Department staff on dealing with tax exemptions.

#### **b. Small and medium sized companies**

Smaller companies and an accounting office, which handles the accounts of many small and medium size private sector companies, have indicated that the tax authority deals differently with CSR activities when they are listed in their financial statements. The Income Tax Department is less trusting of donation documentation presented by the smaller sized companies, and in many cases companies resort to listing the amounts under general office expenses and not as part of the 20% tax exemption.

#### **c. Ministry of National Economy**

A meeting with the advisor to the Minister of National Economy about policies related to the social responsibility of the private sector in Palestine was held. The discussion covered the obstacles they face and the role of the ministry in contributing to the growth of the private sector's awareness and the ministry's efforts with other ministries and the Palestinian Authority institutions to achieve real progress in this area. The following items highlight the most important points:

- The Ministry of National Economy's role in amending the Income Tax Act currently in force in the Palestinian territory:
  - Since the establishment of the Palestinian Authority, the Ministry of National Economy has worked on creating several laws related to improving the economy. It has set up a number of institutions that contribute to the growth of the national economy such as the Institution of Promoting Investments. These activities are usually initiated with discussions with the private sector.

- After consultation with the private sector, the Ministry of National Economy made recommendations to the Ministry of Finance regarding the Income Tax Law, including a provision for income tax deductions for amounts spent on donations.
- The Ministry's role in promoting the concept of social responsibility within the private sector
  - Lack of collaboration between the Ministry of Economy, the Ministry of Finance and the Ministry of Social Affairs, which is responsible for community support initiatives, is a point of weakness
- The Ministry of National Economy's incentives for the private sector
  - Coordination with the Ministry of Finance in order to apply the Income Tax Act (prepared by the Ministry of Finance) related to discounts on contributions.
  - Adjusting local standards of the Income Tax law to equal international standards.
  - The Ministry of National Economy's efforts through an ongoing dialogue between the public and private sector for better coordination and cooperation.
  - Continuous coordination with the private sector to discuss and prepare additional proposed incentives to be supported by the law.
- Social responsibility and its contributions to economic development
  - The concept of social responsibility is a global concept that has evolved according to the private sector's vision, in addition to the direct effect of globalization and the support of the World Trade Organization.

- Ways to develop the concept of social responsibility within the Palestinian private sector
  - A national strategy that is developed through a joint initiative by the private sector and the government, and possibly with support from NGOs, to prioritize areas of intervention for a unified supported agenda.
  - Awareness programs on social responsibility and its contributions to economic growth and on the available tax incentives, targeting the private sector.
  - To highlight the impact of social responsibility in helping the economy and supporting marginalized institutions, using examples such as employment programs and their contribution in providing graduates with opportunities.

## Conclusions and Recommendations

### Conclusions based on findings of the study

Generally, donors control the decision making process about how resources are used on their behalf, and the Palestinian context is no exception. Furthermore, dependency on international aid has undermined Palestinian civil society's ability to respond effectively to the steadily deteriorating political, social, economic, and environmental crises. It has become very clear that economic, social, and environmental problems are too complex to be solved by any one sector alone. The current situation in Palestine is creating a new environment that requires solutions through multi-stakeholder collaborations including the direct engagement of the private sector. It is clear now that the Palestinian Authority cannot solve everything by itself, nor can the community or civil society. It is preferable for all the different sectors to work together. Under the current situation, there is a need to build broader social capacities that bring together the efforts of civil society with those of the public and private sectors. This will certainly help in encouraging a more holistic and sustainable approach and in providing solutions to current challenges. In addition, collaborative efforts will help improve governance in all sectors.

Recognizing the limited sample used in this pilot study, it is difficult to form any definitive conclusions about the present scope and future prospects of NGO and private sector partnership and cooperation initiatives in Palestine. Nonetheless, some general conclusions may be drawn from this paper, which may provide those interested in the subject some new insights on the potential success if such partnerships and cooperation initiatives were implemented.

In Palestine, as well as in most of the Middle East, CSR is still more about philanthropy and is not considered to be an internal process within corporate operations and strategy. In general, there is a need for a standardization of the definition and initiatives of CSR in all Arab countries, including Palestine. This paper has found that the Palestinian private sector is playing an important role in helping society sustain itself and, in some instances, participate in development. The study has clearly shown that CSR is being understood and practiced by a growing segment of the Palestinian private sector. Furthermore, it has demonstrated that work still needs to be done to help increase the pace at which the

Palestinian private sector is becoming really enthusiastic in the application of CSR.

Taking the current situation into consideration, it is not necessary that the Palestinian private sector address development concerns directly. What is expected is that the private sector, in cooperation with public and civil society organisations, be able to target areas where it can have an impact. On the other hand, the private sector should do a better job in communicating its commitment and contribution to the development and improvement of the current situation. It is believed that engaging a responsible private sector in current challenges and solutions can have a fundamental long-term impact on poverty alleviation and social development in Palestine. The private sector can help in improving economic, social, and environmental activities in Palestine through its investment and direct cooperation and coordination with the public and with the civil-society-organisations, and through its direct support in poverty alleviation through the creation of jobs and income generation.

Today, CSR related activities, when practiced by Palestinian companies, are driven mainly by religious and moral concerns towards society. Half of the researched companies stated that this religious or moral driver was their only incentive in participating in CSR activities. The other half of the researched companies have developed their understanding of CSR and have accordingly evolved their activities from charity to CSR. These are mainly public shareholding companies and are often the largest of companies in Palestine. Only seven of the companies surveyed develop CSR plans, and only three companies allocate budgets for their CSR plans. On the other hand, emergencies and religious holidays are times when private sector CSR activities are intensified, in general.

Adopting practices of sustainability is a new trend being witnessed by a few Palestinian companies. They are being driven to adopt these practices because they serve as prerequisites for membership in international organizations. While some of the companies had specific objectives for their CSR activities, both for society and for the company itself, most of companies do not measure the impact of such activities. On the other hand, the study revealed that private sector companies generally confuse public relations and marketing efforts with CSR activities, and do not have a full understanding of how CSR or a sustainability strategy can be of benefit to society and to their businesses.

The researched companies showed great interest in the principle of cooperation on CSR initiatives with NGOs and CBOs in order to achieve the development of society through

a clearly defined strategy that is professional and transparent. The Palestinian health and education sectors are the two main sectors that attracted most of the private sector CSR related activities in recent years. Those two sectors remain as the top ranked sectors for involvement in company CSR initiatives.

Of the major findings is that although the number of available initiatives for NGO and private sector partnerships are still very limited in Palestine, there is a definite indication of their growing potential and importance. The very small, but productive, examples of interactions taking place at the community level, and the interest shown during the research for this paper are seen as a clear sign of the increasing interest among both the private sector and NGOs in such possible cooperation. On the other hand, the continuously changing context of the region supports the urgency of further development and empowerment of this possible partnership and cooperation. Both parties have the potential and expectations of playing more active roles in the current difficult socio-economic environment.

The Palestinian private sector, on the other hand, is under pressure to improve corporate governance and contribute more positively to the overall development of the communities they operate in. It is believed that the most significant aspect of these partnerships and cooperation potentials, between the private sector and NGOs, is the synergy that is created, since both partners bring their complementary talents and resources to the table. NGOs contribute through a sense of values and an appreciation of the broader interests of the community, while the private sector brings financial resources and practical skills, as well as a sense of accountability and a focus on results, which are often lacking in the NGO sector.

In general, efforts are needed to further mend ongoing lack of trust between the two sectors. Despite this, there are encouraging signs from the private and the NGO sectors that both sides are willing and actually beginning to cooperate. Regular forums and mechanisms are needed for continuing discussions between the two sides in order to promote greater mutual acceptance and trust between them.

### Conclusions and recommendations based on private sector focus group workshop

A workshop was conducted for selected representatives of private sector entities, including those that participated in the pilot survey, where the study was presented, followed by discussion and recommendations. The following are the main conclusions and recommendations resulting from this workshop:

1. This subject and initiative are new and very important for both Palestinian NGOs and the private sector. The objective is very important for Palestinians in general. More comprehensive discussion of the subject with related stakeholders is needed as a first important step toward its further development, taking into consideration the Palestinian context and the present political and economic situation.
2. There is a need to define CSR and reach an agreement on its definition between related stakeholders. The concept needs to be discussed and developed further through meetings and workshops attended and participated by Palestinian NGOs and private sector entities.
3. There is an urgent need to define priorities by NGOs, where the private sector can participate and give support; this should include defining the role of the Palestinian Authority in motivating and supporting these efforts of cooperation between the two parties and supporting further development of this initiative.
4. There is a need for extensive public awareness campaigns and activities on the subject. NDC can play an important role in this, in addition to leading the subject for further discussions and development.
5. CSR should be a major area of interest and an objective for NDC, as a potential representative and direct supporter for many Palestinian NGOs. It provides direct services and empowerment to vulnerable communities by providing technical support and capacity building for these communities.
6. Cooperation could include important sectors like health and education, but should also focus on groups affected by the situation, such as disabled people, prisoners, communities directly affected by the separation wall, with focus on IT awareness and so forth.
7. Improve the understanding of cooperation by expanding this paper during a second phase to include further review of the private business and NGO partnership potentials and reviewing available literature to better understand:

- The drivers of private business and NGO cooperation and partnership potentials for NGOs, the expertise they bring to a partnership, and how they can assess businesses based on common interests and core competencies to know if and how a business might be able to work with NGOs on issues of mutual interest, beyond straightforward financial investments.
- Further consideration of the various strengths and assets that the private business can bring to cooperation and partnership, and how to encourage active and creative engagement in community initiatives that take advantage of the core competencies of the firm.
- How to promote private sector and NGO cooperation and partnerships and multi-stakeholder collaboration projects that go one step further by teaming up with NGOs or other stakeholders with shared interests and complementary competencies.

### Conclusions and recommendations based on NGOs focus group workshop

Another workshop was arranged for representatives from local NGOs. The study was presented to them, followed by discussion and comments. The following are the major conclusions and recommendations coming from these NGOs:

1. CSR is still in its preliminary development phase in Palestine. Through activities related to CSR, basic orientation and the targeting of private companies is directed and used to their advantage in making profit for these organizations. Even the sports clubs that are supported by the private sector in Palestine, seem to be focusing on and aiming for making more profits and give little attention and focus to developing and improving communities. Related entities should pay attention to this issue and should work on redirecting it to the right direction.
2. Presently, there has been no information available regarding funding provided by the private sector. It is important to estimate the funding quantity that is or can be provided by the private sector. Estimates of the overall income coming from the Palestinian private sector and the percentage of the taxes paid from it would also serve as very helpful information.

3. It is important to keep in mind that the Palestinian private sector is not well established yet, because of the current situation of occupation, which has its own difficulties and problems. It is also important to evaluate the willingness of the private sector to cooperate with the civil society institution, and more precisely through further research and studies.
4. Sectors and groups to be supported and given priority should include detainees and those recently released since they are in real need of support. Palestinians directly affected by the occupation including Palestinians in the Jordan Valley, near the Separation Wall and settlements should be given priority by these cooperation initiatives. In addition, the research sector in Palestine is not receiving any real attention and should be one of the sectors getting priority. The listed groups should be promoted as a target group since some private sector and civil society organizations might be reluctant in providing them support because of the sensitivity of their situation and their direct link to politics.
5. NGOs raised the issue of the lack of a clear definition of the roles and responsibilities of stakeholders and the lack of a clear vision on the national level during the present political situation. This applies to all actors in Palestinian society (PA, private sector, and civil society). There is need for defining the role of Palestinian NGOs, especially in the development of civil society. Other important questions that were raised include the following:
  1. Is Palestine a market or a homeland?
  2. How can we achieve security for the private sector?
  3. How to build the confidence and trust between different parties?
  4. How to build a state of institutions?
6. One of the important issues that deserve further study and discussion is how to overcome the existing mutual suspicion between the private sector and civil society, since there is clear evidence of what can be considered a confidence or trust crisis between the two parties. No one has addressed this issue and there is a real need to break this barrier.
7. It is clear that project agenda is always imposed from foreign donors since they control resources. Unfortunately, there is no framework for alliances and cooperation on the Palestinian side. It will be important to find a local donor and

help in the development of a clear vision for development of Palestinian society. This could be strengthened by encouraging Palestinian Authority involvement, and potentially by the allocation of a certain percentage of the tax paid by the private sector for community development purposes. There must be some kind of understanding between the Palestinian Authority, civil society institutions, and the private sector; forging a new relationship and, potentially, the drafting of a law to help regulate this relationship could be an additional important step, taking into account the fact that the level of tax collection presently is higher than it was previously.

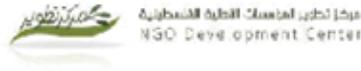
8. The role NDC could play in this regard is very important and basic; it can be through creating awareness, in initiating this relationship, and in further development of this subject by providing direct support for stakeholders and helping in the creation of cooperation between all parties. NDC would be able to help in arranging meetings and workshops with the private sector to create more awareness. This awareness would relate to the actual role and quality of the services provided by the civil society sector and could help in highlighting the needs of civil society and Palestinian communities. There should also be serious discussion on the subject of distinguishing between marketing (advertising and promotion) and corporate social responsibility. An open dialogue on the subject between all stakeholders should help in further development of the subject, to clarify where we stand in terms of further development, and in clarifying suspicion and skepticism. There should be more emphasis on the role of NDC in the follow up and monitoring of institutions that have committed themselves to the previously developed code of conduct. It should include an examination of the application of the code of conduct in their actual work and how it can be linked to the subject of CSR. We should always start from a position of mutual interest and use of the participatory process and methodology. NDC could act unilaterally, or could work through networks and large representative bodies. Review of previous literature with respect to this subject should help in learning from previous experiences of others..

## MAJOR RECOMMENDATIONS

This pilot study provided general indicators and insights on the subject. There is a need for a more comprehensive study, which will help in defining programs and needed activities to define the role and responsibilities of all stakeholders. This should also reconsider the role of NGOs. The study needs to include more analysis on the subject of CSR, including establishing its definition and application from the perspective of all parties involved. In addition, some aspects need to have a deeper and more comprehensive analysis and further development. This could include studying legislation and laws related to Palestinian taxes and their impact on CSR.

Meanwhile, and based on the above, it is recommended that NDC, in cooperation with relevant private sector organizations such as Palestine Trade Center (PalTrade), Palestine IT Association of companies (PITA), and Association of Banks in Palestine, design and implement an educational and awareness building program that enhances private sector knowledge of CSR. This will also define the role that the private sector can play in development and how CSR and sustainability are good for business. It is also recommended to lobby with donor agencies that are funding private sector developmental projects and with existing projects, to add CSR as one of their capacity building areas. This can be similar to the way these projects try to build capacity by providing experts, consultants and training in production or marketing. Development toward a private sector that fully understands and adopts CSR and sustainability strategies can be greatly enhanced by establishing a Palestinian CSR forum or council with a Palestinian index and standards supported by national prizes. The proposed CSR council should lobby the Palestinian Authority to improve the behavior of the tax authority toward declarations made by smaller size companies to allow these companies to report their CSR funding in their financial statements. Furthermore, the CSR council, or NDC, should lobby the newly established Corporate Governance Council to adopt, as part of its code of conduct, to promote CSR, where shareholding companies allocate a specific percentage of its profits toward corporate social responsibility.





## مقدمة

الاستبيان التالي مُعد من قِبل الاستشاري للمبتدع ضمن دراسات بحثية لصالح مركز تطوير المؤسسات الأهلية (NDC) في سياق عمل الـ NDC لتطوير قطاع المؤسسات الأهلية ودعمه وتمكينه من خلال تكثيف المنح والبناء المؤسسي لتحسين فعالية المجتمع المدني، واستقلاليته، واستمراريته.

تم إعداد هذه الأستشارة لجمع معلومات عن ممارسات شركات القطاع الخاص الفلسطيني لدورة المجتمعي، وذلك بهدف:

- التعرف على الإشكاليات والتحديات التي تواجه القطاع الخاص خلال ممارسته لهذا الدور من ناحية التعامل الضريبي، وكيفية الحد من هذه المشاكل والتعرف على التحسينات المقترحة على القوانين والأنظمة.
- الوقوف على ممارسات الشركات التي تتبنى المسؤولية الاجتماعية أو التبرعات الإحسانية وممارسة مسؤولية التنمية للمجتمع، والتعرف على الرغبات المتوقعة بذلك، ضمن جهود مستكملة لاحقا من خلال ورش عمل لبناء وتعزيز التنسيق بين المنظمات الغير حكومية والقطاع الخاص الفلسطيني لطرح مبادرات مشتركة ممكنة التنفيذ تساعد القطاع الخاص الفلسطيني في أداء دوره في المسؤولية الاجتماعي والتنمية.

مع العلم أن البيانات والمعلومات التي سيتم جمعها من خلال المقابلات ستُعامل بسرية تامة، و سيتم استعمالها حصريا لأغراض هذا البحث، و ستُنشر فقط من خلال بيانات إحصائية تمثل النتائج الإجمالية لجميع المقابلات التي تُنفذ في إطار هذا البحث. أي استخدام آخر لهذه المعلومات يتطلب موافقة خاصة من المصلي للمعلومات.



مركز تطوير المنظمات الأهلية  
NGO Development Center

● استخدام الباحث فقط:

GS/ WB	الرقم المتسلسل		
	اسم المظلي بالبيانات:	FW1	
	اسم المنشأة:	FW2	
	الوصف الوظيفي:	FW3	
	اسم الباحث:	FW4	

توقيع الباحث:	الوقت:	اليوم والتاريخ: 2009 / /

1. المعلومات العامة:	
المدينة:	اسم الشركة:
رقم الفاكس:	رقم الهاتف:
البريد الإلكتروني:	الموقع الإلكتروني:
سنة التأسيس:	عدد الموظفين:
	رأس المال المملوك بالحوار:
1. مساهمة عامة. 2. مساهمة محدودة. 3. شركة تضامن. 4. أفراد.	نوع الشركة:



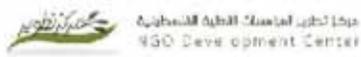
5. أخرى (حدد.....).	
القطاع:	المرؤس المسنهدف:
الفروع الءوالفة:	عدد الفروع المءلفة:

2. علافة الشركة بالفرعاء الخرففة والمفراراء والمسؤلفة الاءءماعفة:
A.2. ماهف الأءءءة ذات العلافة الءف انءرءء فرها الشركة ءلال العلمفن الماضفن؟ الأءءة بالءفمفل لسنة 2009 وءلم 2008* ءءم إءفال القءاط الءالفة: الءكلاءة أف سنةء كءف ءاهء.
B.2. كفف نم لءفر النءءاء / كفففة لءفر المسنهد ومن هو؟ رءة القءل مءابل الاسنفلفة. (فف إءلر المسؤلفة الاءءماعفة للشركة) ..
ءءم إءفال القءاط الءالفة: الموءوءءء للءهة المسنهدة؁ نوءة النءاء مءلرء من الشركة أو نم الءءاب مءلرءة رءة فءل لأءء قام بالعرض علفء؁ هل هءلك اسءرلءففة.



مركز تطوير المنظمات الأهلية  
NGO Development Center

الهدف الذي تحقق		الهدف المراد تحقيقه		C.2 ماهي الأهداف التي كان النشاط يستهدفها وما هي الأهداف التي تحقت من هذا النشاط؟
المجتمع	الشركة	المجتمع	الشركة	
				النشاط (1)
				النشاط (2)
				النشاط (3)
				النشاط (4)



التساروق			
D.2. هل تم قياس الأجزاء للمساهمة (1)؟ كيف؟			
كيف تم قياسه؟		نعم <input type="checkbox"/>	اجتماعي:
		لا <input type="checkbox"/>	
كيف يتم قياسه؟		نعم <input type="checkbox"/>	الشركة:
		لا <input type="checkbox"/>	

3. التبرعات العينية و النقدية بالدولار:		
التبرعات العينية	نقدًا..... دولار.	A.3 سنة 2009
قيمتها ..... بالدولار		
التبرعات العينية	نقدًا..... دولار.	B.3 سنة 2008
قيمتها ..... بالدولار		
التبرعات العينية	نقدًا..... دولار.	C.3 سنة 2007
قيمتها ..... بالدولار		

4. التعاون: مع التركيز على المحالات التملون مع التطرق إلى التجارب السابقة بالتفصيل في هذا المجال.	
A.4 هل كانت الشركة بالتنسيق مع شركات	



مركز تطوير المنظمات الأهلية الفلسطينية  
NGO Development Center

	محلية أخرى أو مع منظمة أهلية على مستوى النشاط الاجتماعي أو المسؤولية الاجتماعية؟ صف فك..
B.4. هل هناك حاجة للتسيؤ مع مؤسسات أخرى أو شركات أخرى؟ <input type="checkbox"/> نعم <input type="checkbox"/> لا.	
1.B.4. لماذا؟	

	2.B.4. برأيك ماهي مزايا هذا النوع من التعاون؟
	3.B.4. ما هي سلبيات هذا النوع من التعاون؟

عند الوصول إلى هذه التفتلة بالمقابلة يجب على الباحث التعريف على (NDC) أكثر ومن ثم الانتقال إلى الخطوات التالية:

5. في الوقت المناسب، وعندما تكون على استعداد للتعاون، وماهو المجال الذي ترغب بالمشاركة به				
القطاع	<input type="checkbox"/> الرياضة	<input type="checkbox"/> الأقتصاد	<input type="checkbox"/> الصحة	<input type="checkbox"/> اجتماعي
	<input type="checkbox"/> أخرى :	<input type="checkbox"/> ثقافي،وسنما	<input type="checkbox"/> التعليم	<input type="checkbox"/> أي قطاع ليس هناك قطاع محدد
	حدد:	ومحافأة		



<input type="checkbox"/> أي مجموعة . لا يوجد شيء محدد.	<input type="checkbox"/> الأطفال	<input type="checkbox"/> الشباب	<input type="checkbox"/> الشيوخ	<input type="checkbox"/> النساء	<input type="checkbox"/> ذوي الاحتياجات الخاصة	المجموعة المستفيدة
<input type="checkbox"/> أي منطقة جغرافية	<input type="checkbox"/> قطاع غزة	<input type="checkbox"/> جنوب الضفة	<input type="checkbox"/> وسط الضفة	<input type="checkbox"/> شمال الضفة		المنطقة الجغرافية
<input type="checkbox"/> لا يوجد شيء محدد	<input type="checkbox"/> التجمعات البدوية	<input type="checkbox"/> مخيمات اللاجئين	<input type="checkbox"/> القرى	<input type="checkbox"/> مدينة		نوع التجمع

6. المبادرات
A.6 ماهي المبادرات في المجتمع الفلسطيني التي لفتت انتباهك . وراغب ان ترغب في لو تك مشترك فيها ؟ (البحث : أكثر بعض المبادرات)
_____
_____
_____
B.6 تحديدا ما هي أهم العناصر التي أثارت انتباهكم في هذه المبادرات A.6 وأسباب اهتمامكم قريبا ؟
_____
_____
_____

7. من حيث مساهماتكم ونيرتائكم، كيف يتم التعامل معها من قريباً؟
_____
_____



## List of Researched Companies

#	Company	Sector	Person	Position
1	Suhail&Saheb for Stone & Marble co.	Stone & Marble	JawdatSuhail	General Manager
2	Carara Marble Company	Stone & Marble	Hesham Al Ajuli	General Manager
3	Yaboos Stone	Stone & Marble	LoayMasaed	General Manager
4	Siniora Food Industries	Food sector	ahmadkarmi	Marketing Manager
5	Al Arz Ice Cream Company	Food sector	SaedAnabtawi	Operations Manager
6	Al Jebrini Company for Dairy & Food industries	Food sector	Jihad Jebrini	General Manager
7	Birzeit Pharmaceutical Co.	Pharmaceutical	yaraasad	Public Relation Manager
8	BeitJala Pharmaceutical Co.	Pharmaceutical	FakhriLatif	Finanace Manager
9	Pharmacare Company	Pharmaceutical	zyad abo al roob	Marketing Manager
10	National Alminum& profile co. NAPCO	Industries	Raami abed alhadi	Marketing Manager
11	Super Nimer Industrial Co.	Industries	Ahmad Nimer	General Manager
12	Palestine Plastic Co.	Industries	Jamal Daraghmeh	General Manager
13	Wassel Co.	Services	wassemshair	HR Manager
14	Lotus Financial Investment	Financial / Brokers	Tarek AL Shakaa	General Manager
15	Grand Park Hotel	Tourism	hayeelhantuleh	Marketing Manager
16	Yazegi Group for soft drink	Food sector	Mahmoud Al yazegi	General Manager
17	Masrouji	Pharmaceutical	NisreenMasrouji	HR Manager

18	Luck baby	Industries	mohamadkhaleed	Finanace Manager
19	Electronic Palestine co	Industries	ImadKandilo	Finanace Manager
20	AlSafa project	Food sector	ahmad abed fath	General Manager
21	Anabtawi Group	Food sector	ShadiAnabtawi	Development Manager
22	Philistia	ITC	Samah Abo Auon	General Manager
23	National Paper industry	Industries	Hazem Al Akhber	General Manager
24	Bisan System	ITC	SamiaTotah	Office Manager
25	Palestine investment company Padico	Investment	Hiba Darwish	Public Relation Manager
26	Star	Industries	Kays Khalil	Marketing Manager
27	SAFAD	ITC	MohamadMousa	Marketing Manager
28	Mashareq Co	Services	Rami Daramili	General Manager
29	Saqa for electro. Co	ITC	TareqSaqa	General Manager
30	MTC	ITC	Abdullah Abo Shahla	General Manager

## References

- From Corporate Philanthropy to Strategic Partnerships, DJORDJIJA PETKOSKI
- Michael Jarvis and Jeremy Goldberg (2008), Business and philanthropy: the blurring of boundaries, Business and Development Discussion Papers, World Bank Institute, No. 9
- Ararat, Melsa. "Corporate Social Responsibility Across Middle East and North Africa". World Bank Working Paper. April, 2006
- Olga Sulla (2006). Philanthropic Foundations Actual versus Potential Role in International Development Assistance. Mimeo. World Bank Global Development Finance Report Group.
- The Near East Foundation/Center for Development Services (CDS). Online: <http://www.neareast.org/phil/en>
- Khan, Masoud Ali. "Giving Back: Corporate Social Responsibility in the GCC". Zawya. Online. 8<sup>th</sup> November, 2007.
- The CSR Navigator Public Policies in Africa, the Americas ,Asia and Europe