



المركز المصري لمسئولية الشركات
EGYPTIAN CORPORATE RESPONSIBILITY CENTER



Egypt's Sustainable Development Policy

White paper



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Corporate Social Responsibility

Introduction

Corporate Social Responsibility (CSR) has been at the center of business model innovation in the past several years. CSR has moved from strategically disconnected philanthropic work to an integrated business strategy, linked to the core business model and providing financial returns for the company as well as positive social and environmental impact for society.

Institutional theory has long established that organizations are embedded within a broader social structure, comprising different types of institutions that exert significant influence on the corporations' decision-making. Recent work on CSR has argued that CSR activities are framed vis-à-vis the social context, and are thus influenced by the prevailing institutions in such contexts.* Therefore, a variation of the country-level institutional framework around CSR will result in a variance of corporate social performance exhibited by organizations in each different country. Multinational corporations adjust their CSR activities according to the specific national contexts in which they operate.**

Developing and implementing a National Sustainable Business Policy for Egypt and communicating the appropriate framework could significantly impact the performance of local organizations related to CSR activities.



Section overview

This section is the introduction to the project which aims to Develop a National Sustainable Business Policy for Egypt , build the capacity of governmental institutions on CSR, raise awareness on CSR among business and other stakeholders and establish incentives fostering businesses to integrate CSR in their companies.

Introduction

Contributors to the white paper



المركز المصري لمسئولية الشركات
EGYPTIAN CORPORATE RESPONSIBILITY CENTER

The Egyptian Corporate Responsibility Center's mission is to empower businesses to develop sustainable business models, in addition to improving the national capacity to design, apply and monitor sustainable CSR policies. As the Global Compact local network's focal point in Egypt, ECRC's goal is to support companies in their efforts to implement the Global Compact's Ten Principles, while creating opportunities for multi-stakeholder engagement and collective action. ECRC supports network's members to develop their Communication on Progress Reports.

KKS is an advisory services firm which works with companies, investors, NGOs and public officials to find innovative solutions that enable the creation of more sustainable business models and communities. Both private and public sector leaders come to KKS when they face the most challenging issues for their organizations.



The aim of the project:

Assist the ECRC in developing Egypt's sustainable business promotion policy

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Corporate Social Responsibility

Introduction

Companies have been the engine behind the unprecedented economic growth of the past century. Big corporations through their operations have managed to raise billions of people from poverty, provide employment and education opportunities and unlock the human potential for innovation and creativity.

Corporations do not operate in isolation, but as part of a broader ecosystem consisting of the society as a whole and the environment. The larger a company is, the more diverse is the range of stakeholders that are affected by its operations and the more pressure they will apply to satisfy their needs.

With the rapid expansion of access to information in the last years, it is increasingly difficult for corporations to indulge in activities that could harm people, communities or the environment without attracting negative attention. This negative attention could damage a company's reputation and brand name and decrease its social capital. Now that most companies' market capitalizations are more than double the value of their tangible assets, a loss of reputational or brand value could prove detrimental.



Section overview

This section will serve as an introduction to the concept of CSR, a brief overview of the evolution of CSR will be detailed and finally, the need for a sustainable strategy and the role of the government as an enabler will be discussed.

The large corporation today

The evolution of economic activity

World's largest 1,000

	Revenues	Market Cap	Employees
1980	\$7.0 trillion	\$900 billion	21 million
2012	\$34 trillion	\$28 trillion	73 million



Dow estimates that it is consuming on a daily basis as much energy as Australia does.



Companies

Out of 206 countries recognized by the United Nations only 26 had GDP higher than the sales numbers of Shell and Walmart.

Food supply is concentrated in a handful of multinationals, which have been accused for consciously contributing to the increasing problem of obesity.



Resources

- Natural capital (water, forest, minerals etc.)
- Human capital (skills & capabilities)
- Financial capital (funds from investors)



Outputs

- Services
- Products
- Externalities (Positive, Negative)

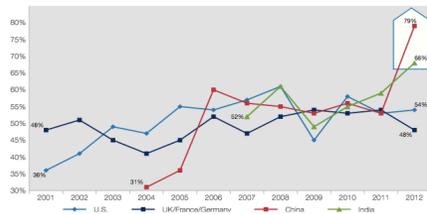
The large corporation today

The civil society as part of the socio economic ecosystem

NGOs

26 countries → 31 million employees

\$1.2 trillion annually



NGOs have been ranked as the most trusted institutions by public opinion surveys.*

*Edelman Trust Barometer 2013

Society

Multiple Stakeholders with different needs

- Consumers of goods and services → high quality products at reasonably good prices
- Employees → job security, satisfaction and fair compensation
- Investors → good return on investment
- Local communities → undisturbed environment



Public outcry



The large corporation today

The changing socioeconomic environment



Social and environmental pressures have dramatically increased



The role of the corporation in society is being redefined



Sustainable organizations need to be formed



Corporate Social Responsibility (CSR)

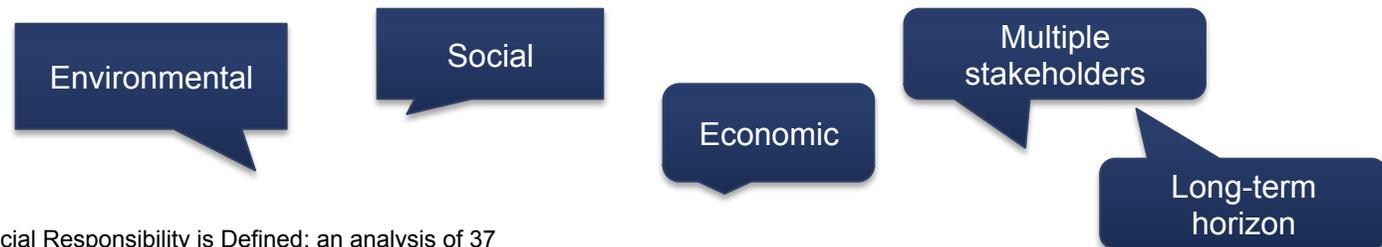
What is CSR?

Multiple Definitions of Corporate Social Responsibility

- “A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.”*
- “Corporate Social Responsibility is the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large.”**

Even more for Sustainability & Sustainable Development:

- “Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”***
- “Sustainability is a system of corporate strategy, business model and operations that integrate economic, environmental, social and governance factors to create long-term economic value.”****



*Dahlsrud, A. 2006. “How Corporate Social Responsibility is Defined: an analysis of 37 definitions”. Corporate Social Responsibility and Environmental Management, 15, 1-13

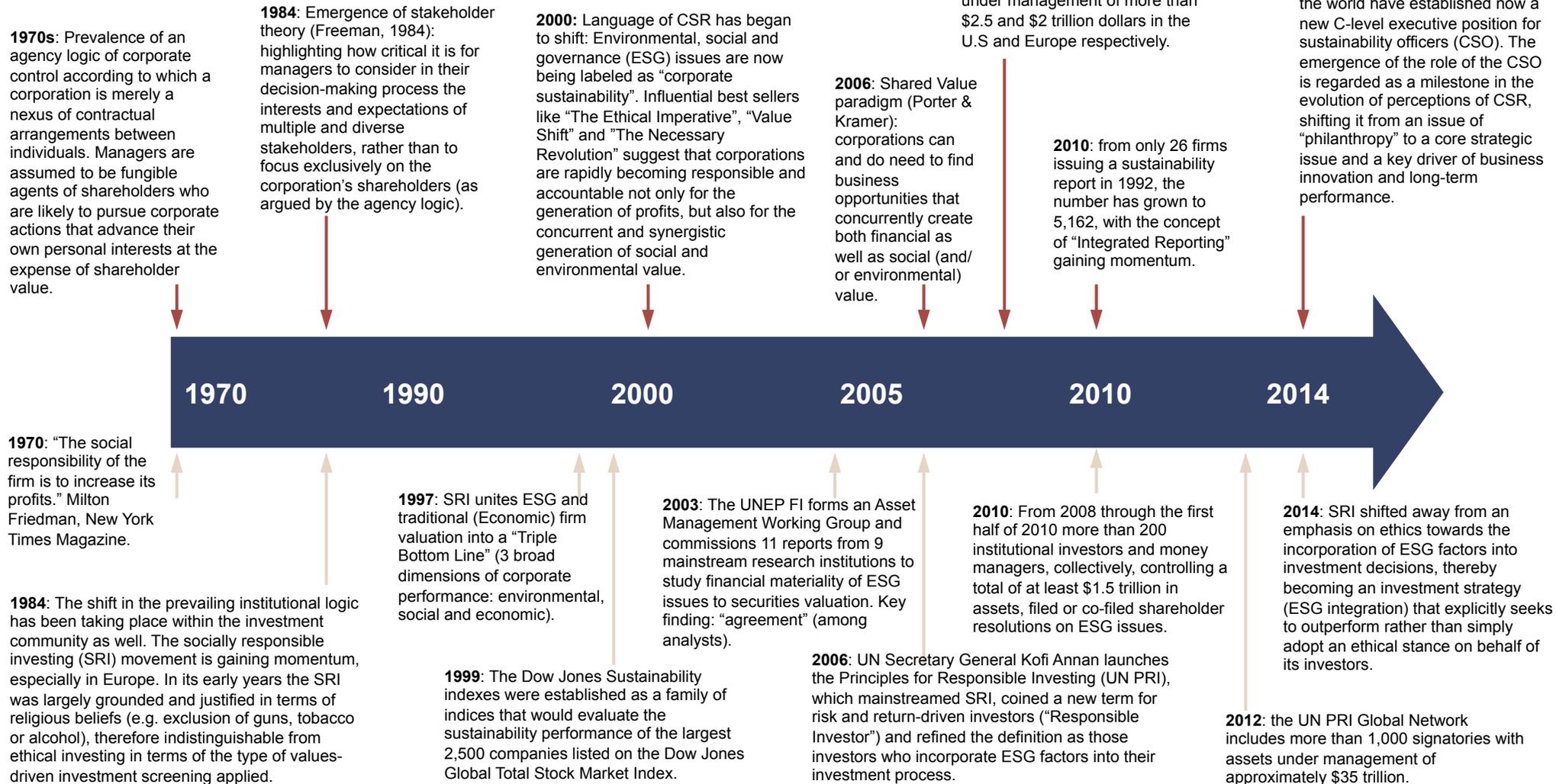
**World Business Council for Sustainable Development

***United Nations World Commission on Environment and Development

****KKS definition of sustainability

The evolution of CSR

From Agency to Value Logics of CSR



The evolution of CSR

From Corporate Philanthropy to Strategic CSR



Purpose	Corporate Philanthropy	Risk Management	Strategic CSR
Benefits / Limitations	<ul style="list-style-type: none"> • Short-term benefits / not always sustainable • Limited available funds • Impact diluted because limited funds might be allocated to many charities • Corporate competencies are not fully utilized • Misalignment between business social responsibility strategies and functions • Results in minimal social and business impact • Philanthropy will not enhance corporate reputation if a company fails to live up to its philanthropic image, consumers perceive philanthropy to be manipulative 	<ul style="list-style-type: none"> • Mitigates operational impact • Mitigates operational risks • Supports external relationships 	<ul style="list-style-type: none"> • Shared value • Promote competitiveness and innovation • Promotes sustainable business model • Integrates business into the community • Develops Human Capital (key in developing countries) • Incorporated into the business strategy
Impact	<ul style="list-style-type: none"> • Little strategic and operational impact 	<ul style="list-style-type: none"> • Medium 	<ul style="list-style-type: none"> • High

Why business engages in CSR?

There is not one business case for CSR, depending of the targets of each company, there are several elements of CSR that might be applicable.

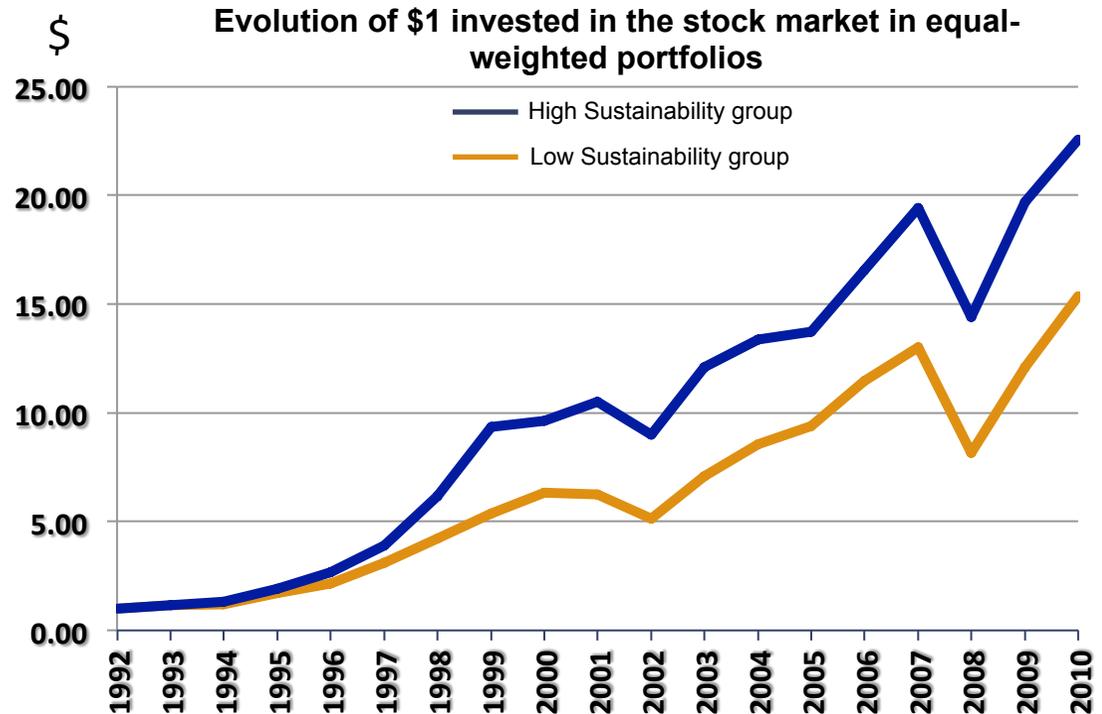
Motivation	Competitive advantage
Risk management	Financial or reputation risks etc.
Compliance	Legislation, customer or investor requirements
Innovation	Finding new solutions to save resources or serve needs
Differentiation	Building a position based on CSR/sustainability
New business opportunities	Finding new target groups, addressing new markets
Attracting talent	Value-based employer branding
Branding/image	Using CSR to strengthen your market position
Motivating employees	Involvement means satisfaction
Resources	Saving resources = saving money
Stakeholder expectations	NGOs, media etc. – trend spotting

The need for a sustainable strategy

Sustainable strategy: Does it pay off?

Two virtually identical groups of firms in terms of size, financial performance and growth prospects of 180 US companies (1993-2010). High Sustainability group contained firms that long ago adopted corporate policies regarding commitments to enhance environmental and social performance; the other half, the low sustainability group had not but instead corresponded to the traditional model of profit maximization.* Both groups are a matched sample. Each firm in the treatment and control group is in the same industry, of the same size, same profitability, same market-to-book ratio. The only difference is the policies around sustainability. Both stock market and accounting (ROE, ROA) performance were measured over time.

The graph shows the cumulative stock market performance of value-weighted (equal-weighted) portfolios of the two groups. Investing 1\$ in the beginning of 1993 in a value-weighted portfolio of High Sustainability firms would have grown to \$22.6 by the end of 2010. In contrast, investing \$1 in the beginning of 1993 in a value-weighted portfolio of the Low Sustainability firms would have only grown to \$15.4.



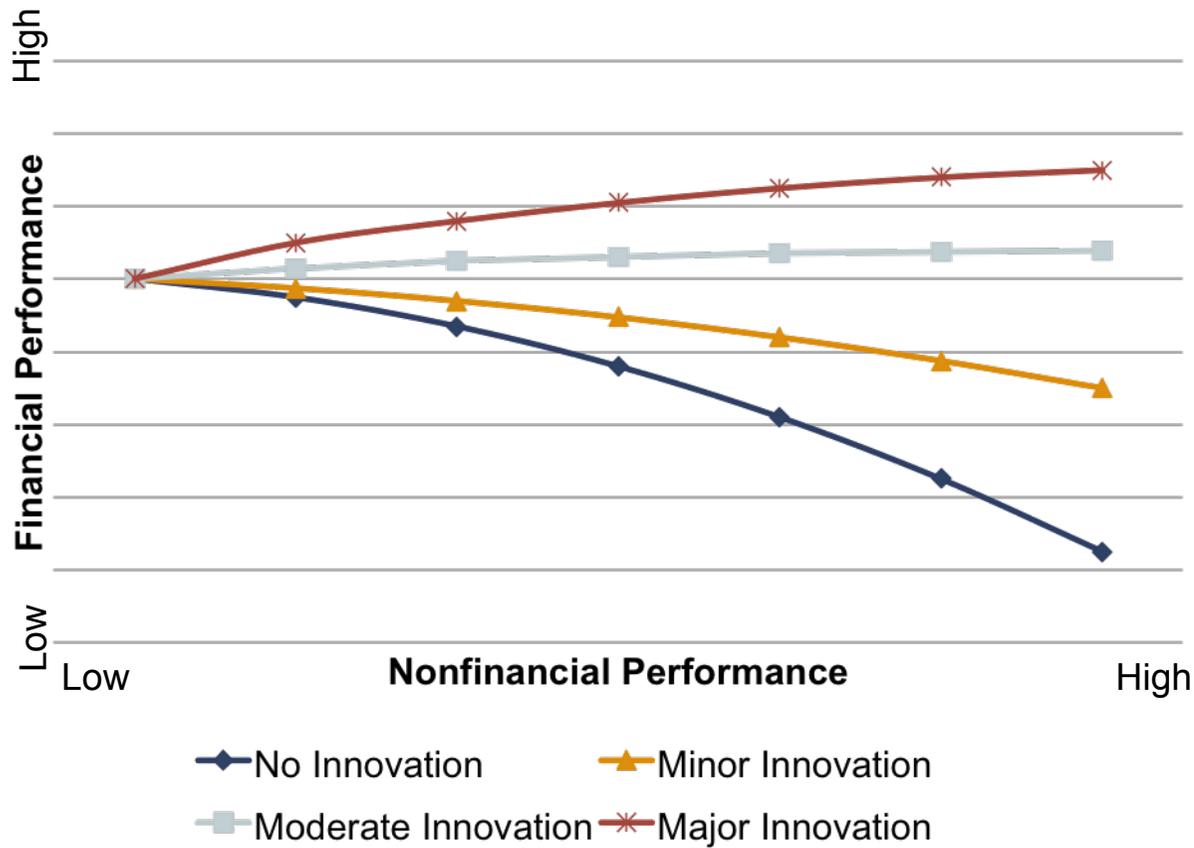
* Eccles, R. G., Ioannou, I., and Serafeim, G. "The Impact of Corporate Sustainability on Organizational Processes and Performance." *Management Science*. (forthcoming)

Sustainable Strategy: a strategy that enables a company to create value for its shareholders while at the same time contributes to a sustainable society.

Sustainable society: a society that meets the needs of the current generation without sacrificing the needs of future generations.

The performance frontier

Innovating for a sustainable strategy



In the absence of substantial innovation, the financial performance of firms declines as their environmental, social and governance (ESG) performance improves. To simultaneously improve both kinds of performance, they need to invent new products, processes and business models.

* Eccles, R. G., and Serafeim, G. 2013. "The performance frontier", Harvard Business Review.

Pushing the boundary of the performance frontier

From philanthropy to sustainable strategy

- ✓ Identify the material ESG issues of nonfinancial performance
- ✓ Understand the relationship between financial and nonfinancial performance
- ✓ Find ways to innovate in processes, products, and business models
- ✓ Utilize stakeholder engagement to foster innovation
- ✓ Practice sustainability / integrated reporting for both external and internal benefits



Why is society interested in CSR

Global concerns have created a focus on a company's strategy around social and environmental issues.



- Demands for greater disclosure/transparency
- Increased customer interest in sustainability
- Growing investor pressure
- Competitive labor markets / employee engagement
- Globalization of supply chain
- Governance failures
- Human rights
- Social media
- Growing population
- Climate change

What is the role of government in promoting CSR?

Setting goals, driving change, leading by example

- Development of new policies to enable sustainability innovation
 - Examples could be: 10% job creation, 5% of total share of renewable energy use
- Co-operation with private sector and society in order to achieve sustainability policy objectives
 - R&D endorsing, financial incentives



- Government initiatives in legislation, administration and enforcement
 - Emission trading schemes, regulation of supply chain management
- CSR of each governmental body
 - Green procurement, percentage of female employees

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CSR Ratings

Introduction

There are currently several indexes and frameworks trying to understand how sustainability relates to competitiveness and economic development at the country level. The key question these indexes aim to answer is how well the economic growth of their countries is aligned with the advancement of social progress, human well-being and environmental sustainability.

Focusing on purely a prospective rise in the Gross Domestic Product would mean nothing if the living standards of a country are low due to a poor health system, there are still high levels of unemployment and social inequality, and the educational system is inefficient. Therefore getting an understanding of these metrics and especially benchmarking and comparing them with countries of similar characteristics, or countries that are leaders in some aspects of sustainable development, is very important when making development policies.



Section overview

This section will cover some of the most well known CSR ratings, providing an insight into the position of Egypt in each index and the underlying data.

Egypt – CSR Rating

World Economic Forum – Sustainability Adjusted Global Competitiveness Index

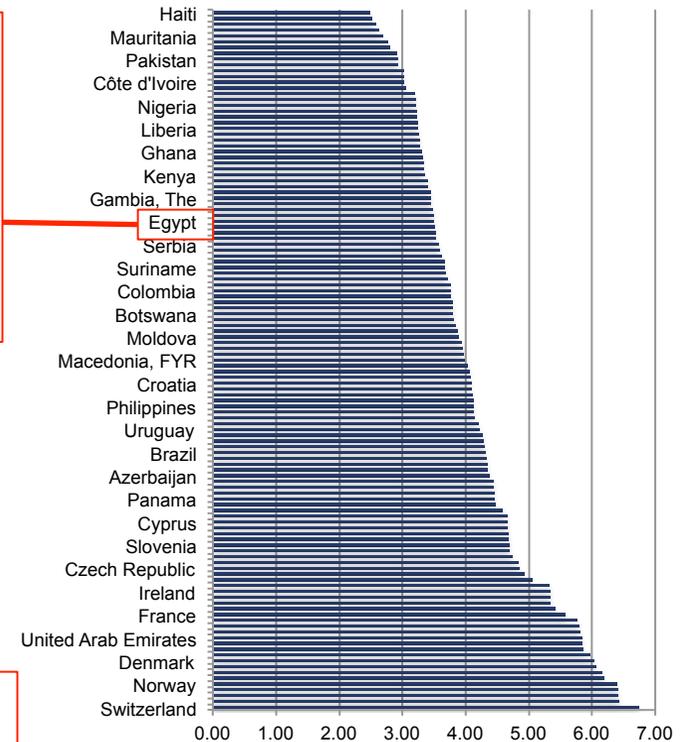
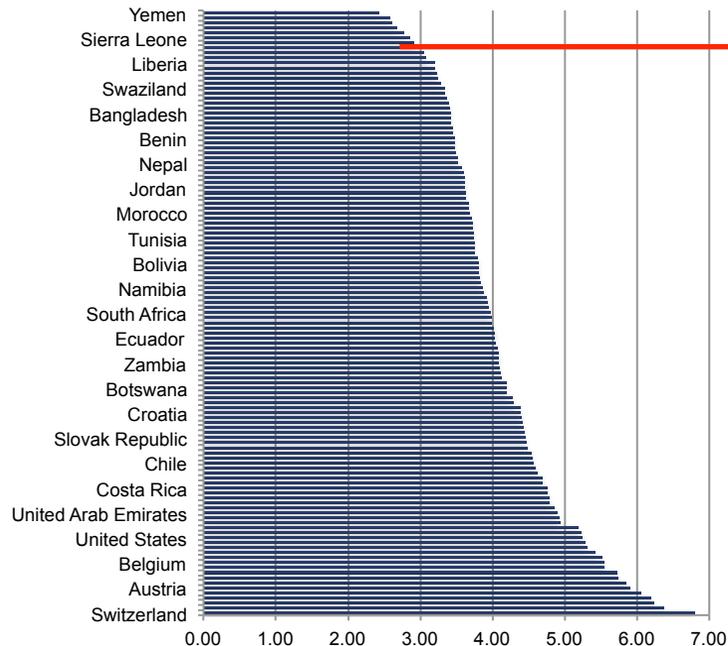
‘Common ground to develop policies that balance economic prosperity with social inclusion and environmental stewardship.’

121 countries, 12 main pillars (Institutions, Infrastructure, Macroeconomic Environment, Health & Basic Education, Higher Education & Training, Goods Market Efficiency, Labor Market Efficiency, Financial Market Development, Technological Readiness, Market Size, Business Sophistication & Innovation), 2 extra pillars: Social and Environmental (19 indicators)

Global Competitiveness Index: 118th out of 148 countries

Social
 85th of 121 countries
 Income GINI coefficient (income inequality): 20th
 Youth unemployment: 63rd
 Access to sanitation: 43rd
 Access to improved drinking water: 34th
 Access to healthcare services: 118th
 Social safety net protection: 92nd
 Extent of informal economy: 98th
 Social mobility: 102th
 Vulnerable employment: 53rd

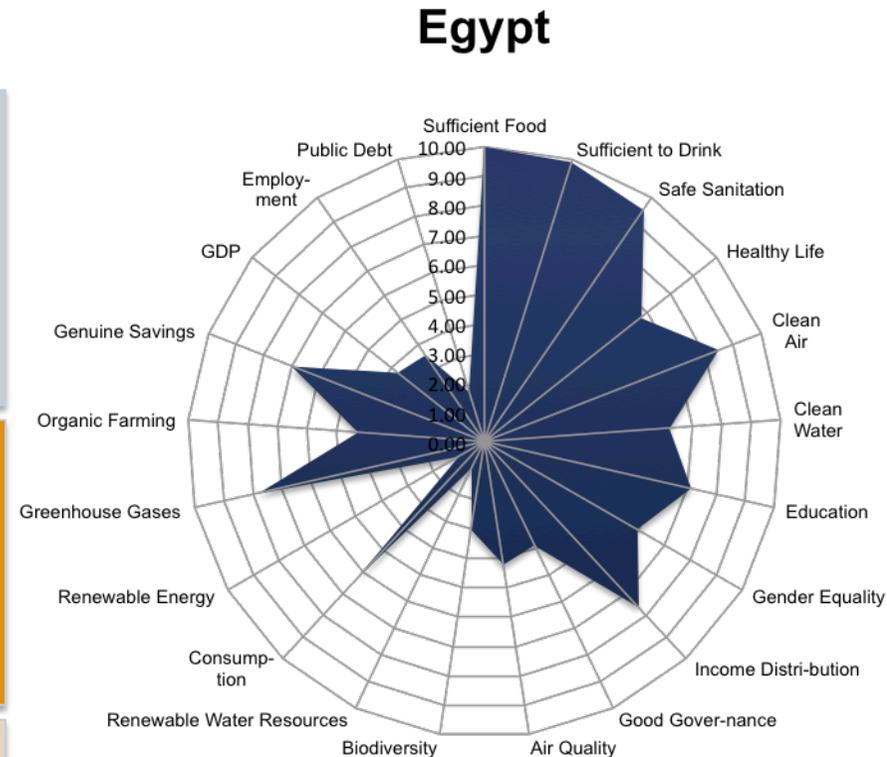
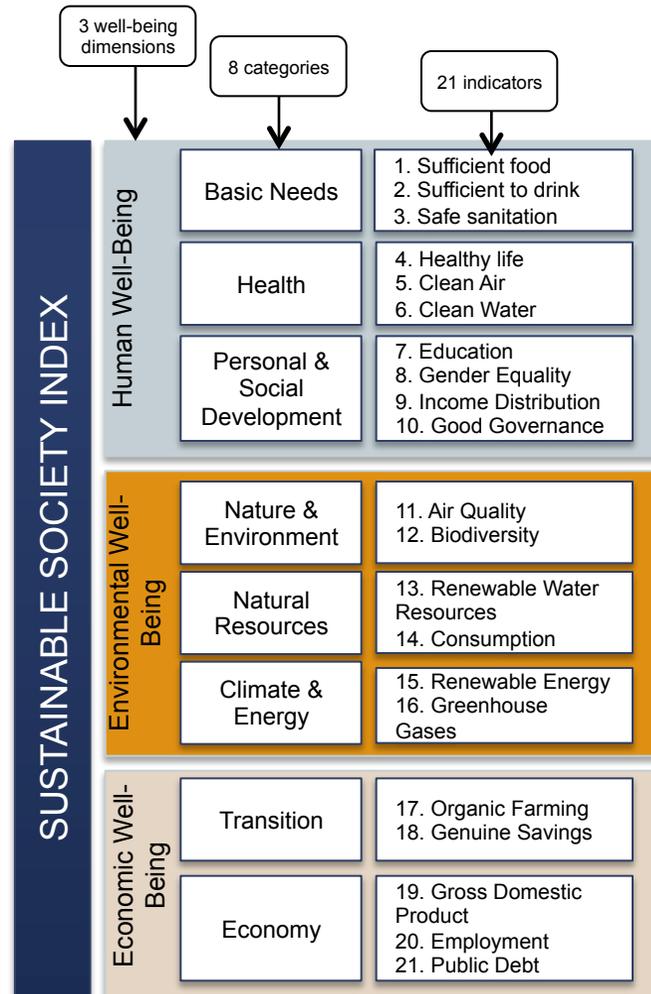
Environmental
 118th of 121 countries
 Stringency of environmental regulation: 118th
 Enforcement of environmental regulation: 117th
 Terrestrial biome protection: 87th
 No. of ratified international environmental treaties: 54th
 Agricultural water intensity: 115th
 CO2 intensity: 96th
 Fish stocks overexploited: 58th
 Forest cover change: n/a
 Particulate matter (2.5) concentration: 103rd
 Quality of natural environment: 108th



Egypt – CSR Rating

Sustainable Society Foundation – Sustainable Society Index (1/2)

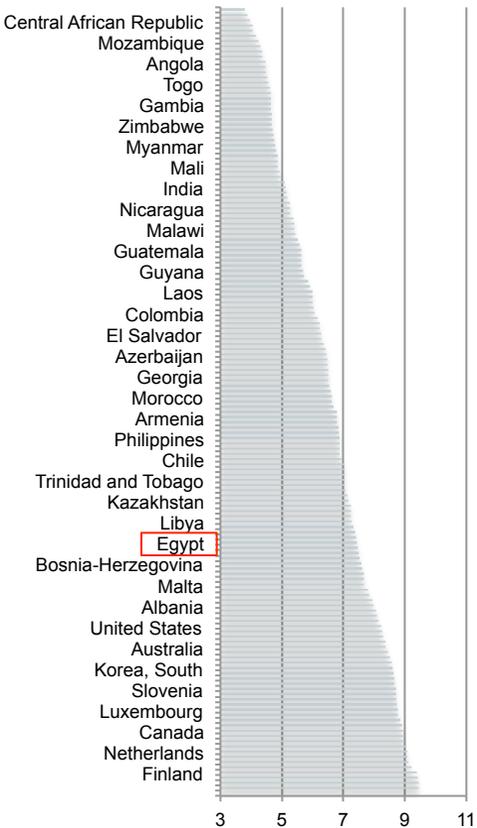
The Sustainable Society Foundation is a non-profit organization, established in 2006 with the objective of stimulating and assisting societies in their development towards sustainability. The Sustainable Society Index (SSI) indicates whether the world is becoming more sustainable using three dimensions: human well-being, environmental well-being and economic well-being



Egypt – CSR Rating

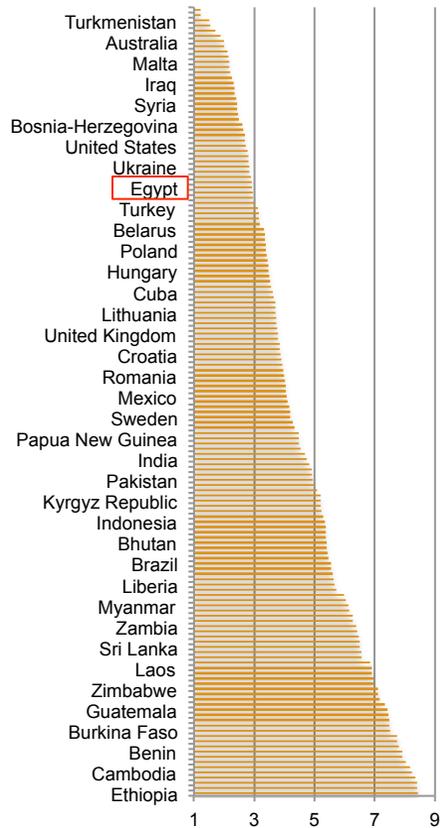
Sustainable Society Foundation – Sustainable Society Index (2/2)

Human Well-Being



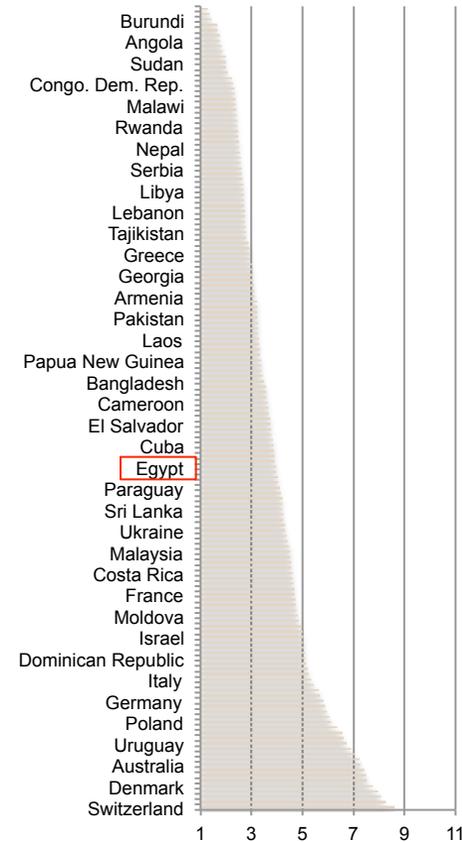
50th of 151

Environmental Well-Being



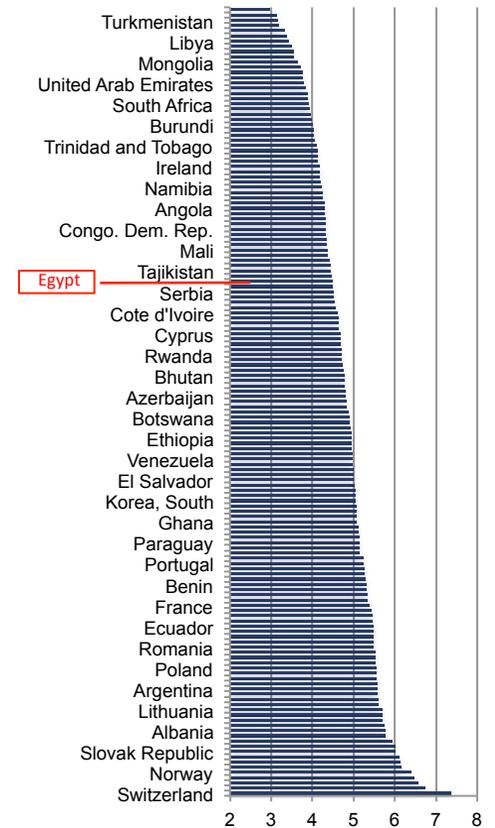
119th of 151

Economic Well-Being



67th of 151

SSI overall

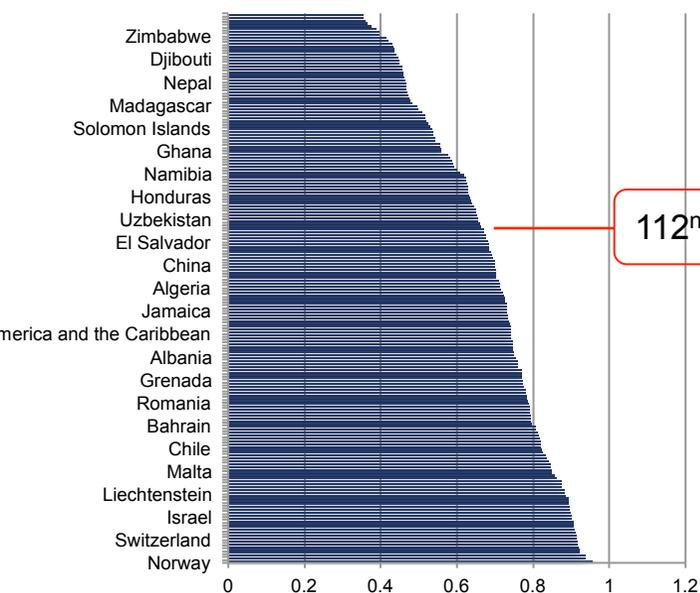


101st of 151

Egypt – CSR Rating

United Nations Development Program – Human Development Index

The Human Development Index (HDI) is a composite index measuring average achievement in three basic dimensions of human development—a long and healthy life, knowledge and a decent standard of living. The proxies used for these areas are life expectancy at birth, the mean years of schooling, the expected years of schooling and the Gross National Income per capita. Due to the fact that the Human Development Index uses only few indicators, it manages to cover 186 countries. The HDI is a simple index which provides limited information regarding government policies, when used independently, but is an important tool for global awareness in terms of progress in main areas of human development.



Region and HDI Group	HDI	Life expectancy at birth (years)	Mean years of schooling (years)	Expected years of schooling (years)	Gross national income per capita (2005 PPP \$)
Region					
Arab States	0.652	71.0	6.0	10.6	8,317
East Asia and the Pacific	0.683	72.7	7.2	11.8	6,874
Europe and Central Asia	0.771	71.5	10.4	13.7	12,243
Latin America and the Caribbean	0.741	74.7	7.8	13.7	10,300
South Asia	0.558	66.2	4.7	10.2	3,343
Sub-Saharan Africa	0.475	54.9	4.7	9.3	2,010
Egypt	0.662	73.5	6.4	12.1	5,401
World	0.694	70.1	7.5	11.6	10,184
HDI Group					
Very high human development	0.905	80.1	11.5	16.3	33,391
High human development	0.758	73.4	8.8	13.9	11,501
Medium human development	0.640	69.9	6.3	11.4	5,428
Low human development	0.466	59.1	4.2	8.5	1,633

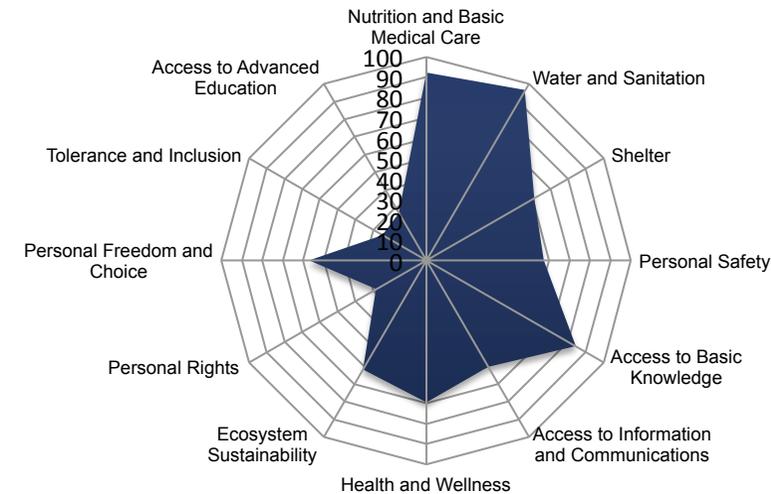
Egypt – CSR Rating

Social Progress Imperative – Social Progress Index (1/2)

EGYPT

Population: 14th

GDP (PPP) \$: 77th



Social Progress Index

Basic Human Needs

Nutrition and Basic Medical Care

- Undernourishment
- Depth of food deficit
- Maternal mortality rates
- Stillbirth rate
- Child mortality rate
- Deaths from infectious diseases

Water and sanitation

- Access to piped water
- Rural vs. urban access to improved water source
- Access to improved sanitation facilities

Shelter

- Availability of affordable housing
- Access to electricity
- Quality of electrical supply
- Indoor air pollution attributable deaths

Personal safety

- Homicide rate
- Level of violent crime
- Perceived criminality
- Political terror
- Traffic deaths

Foundations of Well-being

Access to Basic Knowledge

- Adult literacy rate
- Primary school enrollment
- Lower secondary school enrollment
- Upper secondary school enrollment
- Gender parity in secondary enrollment

Access to Information and Communications

- Mobile telephone subscriptions
- Internet users
- Press freedom index

Health and Wellness

- Life expectancy
- Non-communicable disease deaths between the
- Obesity rate
- Outdoor air pollution attributable deaths
- Suicide rate

Ecosystem sustainability

- Greenhouse gas emissions
- Water withdrawals as a percent of resources
- Biodiversity and habitat

Opportunity

Personal Rights

- Political rights
- Freedom of speech
- Freedom of assembly/association
- Freedom of movement
- Private property rights

Personal Freedom & Choice

- Freedom over life choices
- Freedom of religion
- Modern slavery, human trafficking and child marriages
- Satisfied demand for contraception
- Corruption

Tolerance & Inclusion

- Women treated with respect
- Tolerance for immigrants
- Tolerance for homosexuals
- Discrimination and violence against minorities
- Religious tolerance
- Community safety net

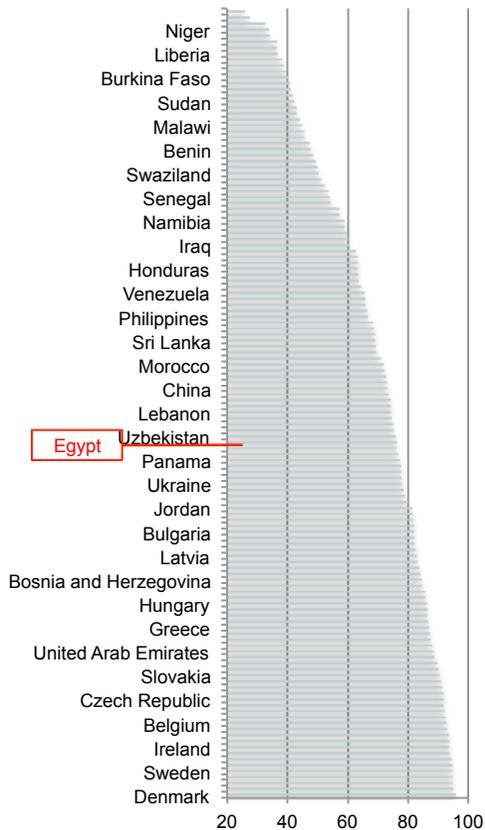
Access to advanced education

- Years of tertiary schooling
- Women's average years in school
- Inequality in the attainment of education
- Number of globally ranked universities

Egypt – CSR Rating

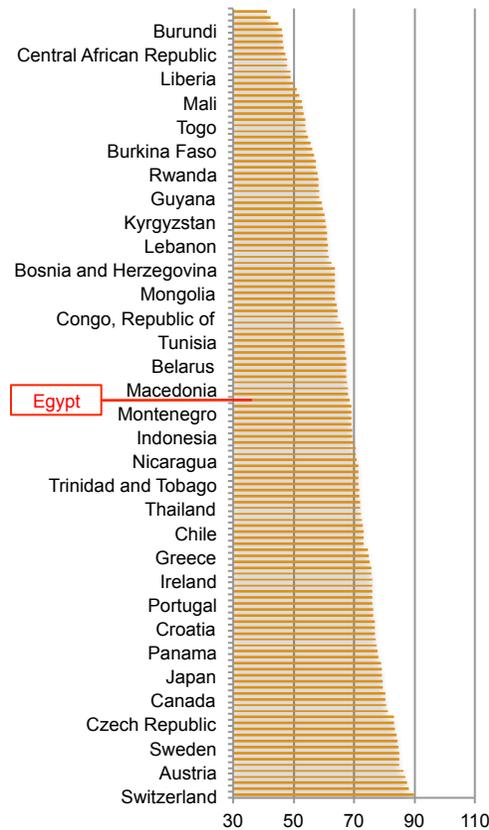
Social Progress Imperative – Social Progress Index (2/2)

Basic Human Needs



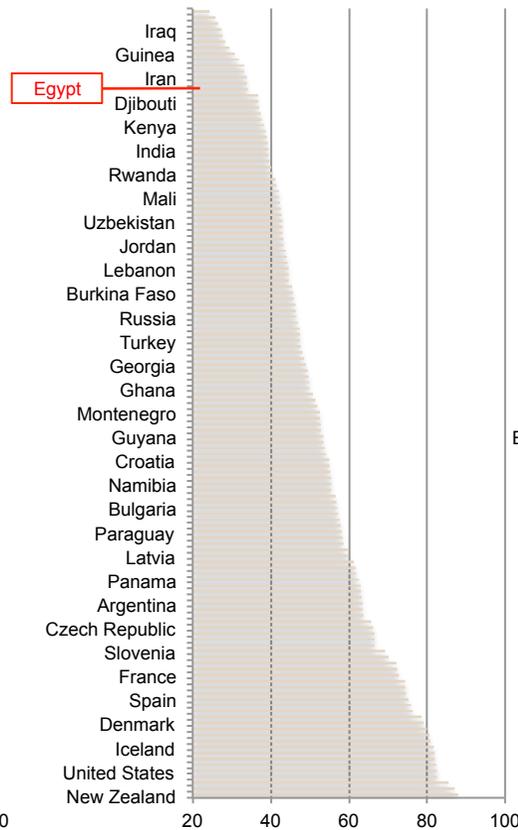
58th of 134

Foundations of Well-being



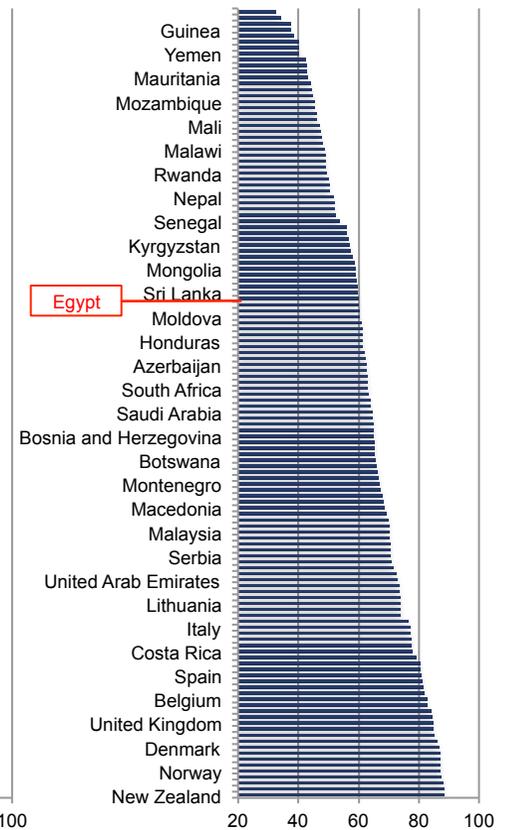
66th of 134

Opportunity



119th of 134

Social Progress Index



84th of 134

Egypt – CSR Rating

Environmental Performance Index (EPI)

The EPI is a joint project between the Yale Center for Environmental Law & Policy and the Center for International Earth Science Information Network at Columbia University in collaboration with the World Economic Forum and support from the Samuel Family Foundation and the McCall MacBain Foundation.

The EPI provides a way to assess the global community's performance over time with respect to established environmental policy goals. The EPI ranks 132 countries and uses ten policy categories. In order to construct the results for these categories, 22 performance indicators are being used. In the latest version of EPI a Pilot Trend Environmental Performance Index (Trend EPI) was introduced which ranks countries on the change in their environmental performance of the last decade. The Trend EPI illustrates which countries are improving their performance over time and thus makes it feasible to correlate these results with the efficacy of the government policies the respective years.

The Environmental Performance Index, in contrast with other indexes, is focusing only on the environment element and does not take into account all the elements of sustainable development. Although it cannot be used alone in order to measure the sustainable growth development of a country, it provides an adequate framework regarding environmental performance.

NAME OF INDICATOR	RANK	COMPARED TO GDP PEER SET	COMPARED TO REGION PEER SET	10 YEAR CHANGE
Overall score	50	45.92%	16.53%	9.67%
Health Impacts	97	23.96%	-12.73%	18.37%
Child mortality	97	23.96%	-12.73%	18.37%
Air Quality	144	-7.33%	-17.46%	-2.86%
Household air quality	1	100%	100%	0.81%
Air pollution – average exposure to PM2.5	168	-27.91%	-24.31%	-6.18%
Air pollution – PM2.5 exceedance	168	-52.07%	-43.19%	-6.09%
Water and Sanitation	50	100%	18.32%	35.52%
Access to drinking water	45	100%	47.93%	33.88%
Access to sanitation	58	100%	-8.51%	38.01%
Water resources	41	100%	34.82%	
Wastewater treatment	41	100%	34.82%	
Agriculture	74	2.13%	5.09%	-18.88%
Agricultural subsidies	96	-31.38%	-28.45%	-41.98%
Pesticide regulation	51	51.01%	33.55%	10%
Fisheries	58	-8.14%	60.66%	-24.36%
Coastal shelf fishing pressure	37	12.11%	97.1%	16.25%
Fish stocks	79	-62.66%	-35.61%	-80.24%
Biodiversity and Habitat	81	35.84%	90.17%	34.39%
Terrestrial protected areas (national biome weights)	87	36.62%	94.19%	100%
Terrestrial protected areas (global biome weights)	119	-16.73%	30.25%	46.06%
Marine protected areas	18	58.47%	80.29%	4.74%
Climate and Energy	37	28.39%	32.44%	
Trend in carbon intensity	109	-53.65%	-35.4%	
Change of trend in carbon intensity	11	60.61%	86.81%	
Access to electricity	1	50.94%	10.21%	1.63%
Trend in CO2 emissions per KWH	100	-31.67%	-36.47%	

GDP Peer set: Armenia, Bhutan, Bolivia, Cameroon, Cape Verde, Congo, Cote d'Ivoire, Djibouti, El Salvador, Georgia, Ghana, Guatemala, Guyana, Honduras, India, Indonesia, Kiribati, Laos, Lesotho, Mauritania, Moldova, Mongolia, Morocco, Myanmar, Nicaragua, Nigeria, Pakistan, Papua New Guinea, Paraguay, Philippines, Senegal, Solomon Islands, Sri Lanka, Sudan, Swaziland, Syria, Timor-Leste, Ukraine, Uzbekistan, Vanuatu, Viet Nam, Yemen, Zambia

Region Peer set: Algeria, Bahrain, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates, Yemen

Egypt – CSR Rating

ROBECOSAM – Country sustainability ranking

Sub-Indicator level

For each country, various data series on a number of sustainability sub-indicators are collected, totaling over 250 data series.

Indicator level

For each indicator relative scores ranging from 1 to 10 are calculated. Each indicator is also assigned a predefined weight

Dimension level

Each dimension weight is the sum of the indicator weights within the respective dimension

Country sustainability score

The country score is the weighted sum of the standardized indicator scores

The country sustainability framework evaluates 59 countries – 21 developed and 38 emerging markets – on a broad range of Environmental, Social and Governance factors that RobecoSAM considers to be relevant for investors.

It consists of 17 indicators, each of which is based on various data series, or sub-indicators. Each indicator is assigned a predefined weight out of the total framework. Based on the standardized scores countries receive for each indicator and its corresponding weight, a country sustainability score ranging from 1-10, with 10 being the highest, is calculated for each country. The resulting scores offer insights into the investment risks and opportunities associated with each country, and allow investors to compare countries to each other.

• Emissions	• Biodiversity	Environmental Status (5%)
• Energy use	• Energy sources	Energy (5%)
• Exposure to environmental risks	• Risk mitigation	Environmental Risk (5%)
• Human Welfare	• Work and equality	Social Indicators (10%)
• Education	• Life expectancy	Human Development (10%)
• Number of strikes and lockouts	• Workers involved	Strikes and lockouts (5%)
• Rights and liberties	• Inequality	Liberty & Inequality (10%)
• Human capital and innovations	• Physical capital	Competitiveness (10%)
• Internal risks and inefficiencies	• External conflicts	Political risk (10%)
• Management of public goods	• Policy responses	Effectiveness (2.5%)
• Protection of property rights	• Judicial system	Rule of Law (2.5%)
• Democratic participation	• Civil society	Accountability (2.5%)
• Corruption level	• Transparency/Policies	Corruption (2.5%)
• Terrorism & Political crimes	• Government stability	Stability (2.5%)
• Competition / Liberalization	• Business regulations	Regulatory Quality (2.5%)
• Demographic profile	• Age-related policies	Aging (10%)
• Monetary policy independence	• Other institutions	Institutions (5%)

Environmental
(15%)

Social
(25%)

Governance
(60%)

Country Sustainability Score

Egypt: 58th out of 59

Egypt – CSR Rating

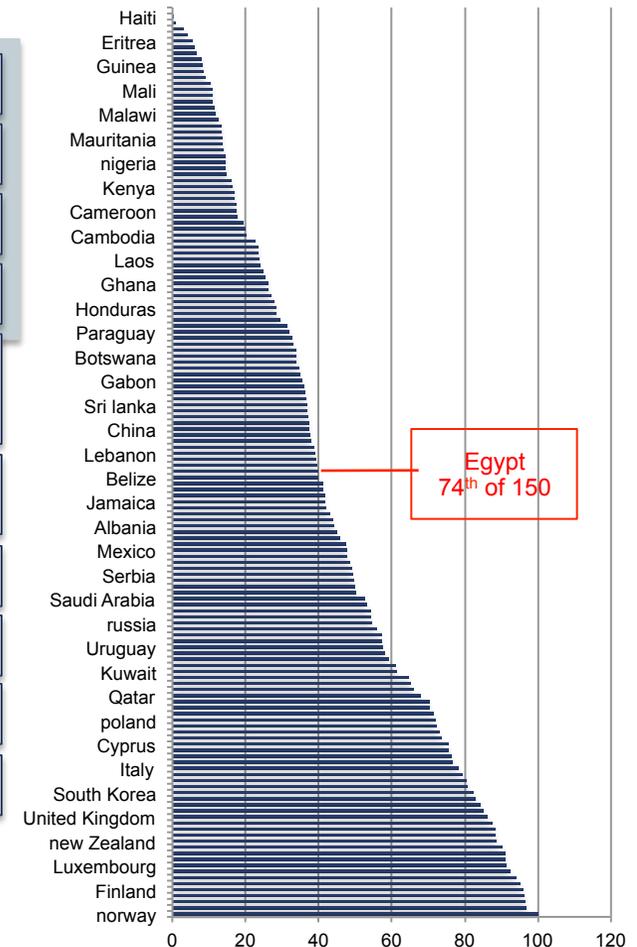
Boston Consulting Group – Sustainable Economic Development Assessment (1/2)

The Boston Consulting Group (BCG) launched its version of the BCG Sustainable Economic Development Assessment (SEDA) Framework in 2012. SEDA, according to BCG, is an approach to systematically assess and compare the socio-economic development or level of well-being in 150 nations. SEDA has also a time element (in order to identify the performance during the last five years (Recent Progress), the current performance (Current level) and also identify which nations are much better positioned in order to sustain their progress in their future (Long-term Sustainability)). The initial version of the framework had 10 dimensions (Income, Economic Stability, Employment, Income Equality, Civil Society, Governance, Education, Health, Environment and Infrastructure) and 51 different indicators used in total (either for recent progress, current or long-term sustainability assessment), while 40 of them were used for the construction of the current level index. In 2014, BCG published an updated report (Beal and Rueda-Sabater, 2014) and increased the total number of indicators to 54, which are the indicators of the current level index shown in the diagram.

An interesting approach of BCG is the calculation of both the wealth to well-being coefficient (country's current level SEDA score with the score it would be expected given its per capita GDP) and the growth to well-being coefficient (country's recent progress SEDA score with the score that would be expected given the per capita GDP growth rate). According to SEDA findings countries with the highest GDP are not necessarily the best in converting their wealth to well-being for their citizens. Also other countries (e.g., developing) are more successful in translating the recent GDP growth of the last years to increased well-being for their citizens.

SEDA – SUSTAINABLE ECONOMIC DEVELOPMENT ASSESSMENT

Economic	Income	Wealth (GDP per capita)
	Economic Stability	Inflation of the volatility of GDP growth
	Employment	Employment and unemployment levels
	Income Equality	Income disparities across the population
	Civil Society	The strength of the bonds among individuals, such as the degree of intergroup cohesion, civic activism, and gender equality
	Governance	The effectiveness and quality of government institutions, as well as accountability, stability and civic freedoms
	Education	Educational quality and access
	Health	Access to health care and mortality and morbidity rates
	Environment	The quality of the environment and policies aimed at improvement and preservation
	Infrastructure	Water, transportation, sanitation, and communications



Egypt – CSR Rating

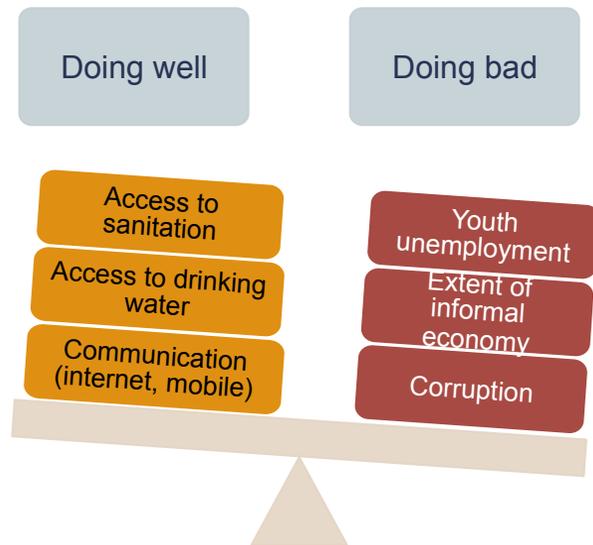
Boston Consulting Group – Sustainable Economic Development Assessment (2/2)

SEDA – SUSTAINABLE ECONOMIC DEVELOPMENT ASSESSMENT

Economic	Income	<ul style="list-style-type: none"> GDP per capita, purchasing power parity (current \$) 	Education	<p>Access to Education</p> <ul style="list-style-type: none"> School enrollment, tertiary (% gross) Years of schooling, primary to tertiary (years) <p>Quality of Education</p> <ul style="list-style-type: none"> Pupil-teacher ratio, primary Average of math and science score 		
	Economic Stability	<ul style="list-style-type: none"> Inflation, average consumer prices (% change) Inflation-rate volatility (variation coefficient) GDP growth volatility (variation coefficient) 		Health	<p>Mortality rates</p> <ul style="list-style-type: none"> Life expectancy at birth, total (years) Mortality rate, under age 5 (per 1,000 live births) <p>Morbidity levels</p> <ul style="list-style-type: none"> Prevalence of HIV, total (% of population, ages 15-49) Incidence of tuberculosis (per 100k people) Prevalence of undernourishment (% population) Population obesity (%BMI > 30, age-standardized estimate) <p>Access to health care</p> <ul style="list-style-type: none"> Immunization, diphtheria (% of children ages 12-23 months) Immunization, measles (% of children ages 12-23 months) Physician density (per 1,000) Hospital beds (per 1,000) 	
	Employment	<ul style="list-style-type: none"> Unemployment, total (% total labor force) Employment rate, population ages 15-64 (%) 			Infrastructure	<p>Communications infrastructure level</p> <ul style="list-style-type: none"> Internet users (per 100 people) Mobile cellular subscriptions (per 100 people) <p>Transportation infrastructure level</p> <ul style="list-style-type: none"> Quality of roads network Quality of railroads infrastructure <p>Utilities infrastructure level</p> <ul style="list-style-type: none"> Improved water source (% of population with access) Improved sanitation facilities (% of population with access)
	Income Equality	<ul style="list-style-type: none"> GINI Index 				
Civil Society	<ul style="list-style-type: none"> Level of civic activism Interpersonal safety and trust index Intergroup cohesion measure Level of gender equality 					
Governance	<ul style="list-style-type: none"> Control of corruption Rule of law Political stability & absence of violence/terrorism index Voice and accountability Press freedom Property rights index 					
Environment	<ul style="list-style-type: none"> Air pollution, effects on humans Terrestrial and marine protected areas (% of total territorial area) Carbon dioxide intensity (kg per kg of oil-equivalent energy use) 					

Egypt – CSR Ratings

Conclusions



- Access to sanitation
- Access to drinking water
- Income GINI coefficient (compared to developing countries)
- Number of ratified international environmental treaties
- Sufficient food
- Access to electricity
- Internet users
- Mobile telephone subscriptions
- Suicide rate
- Freedom of speech

- Youth unemployment
- Extent of informal economy
- Corruption
- Access to healthcare
- Social mobility
- Stringency and enforcement of environmental regulation
- Agricultural water intensity
- CO₂ intensity
- Gender equality
- Good governance
- Education – mean years of schooling, years of tertiary schooling, women's average years in school, inequality in the attainment of education, number of globally ranked universities
- Obesity rate

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CSR Profiling

Introduction

A key step to develop a Sustainable Development Policy is to get first an in depth understanding of the existing government CSR engagement in Egypt, understand the public CSR concerns and also the challenges and opportunities presented.

The ECRC has already performed significant work trying to do a sectorial CSR profiling and has published 3 sector strategies for the Textile, Agricultural and Financial sectors.

In order to get a more in depth understanding of the public concerns and the challenges and opportunities around CSR, interviews were carried out with representatives from the public sector, private sector and NGOs.



Section overview

This section gives a brief overview of the 3 sector strategies together with the interview framework and the results from interviewing several key stakeholders.

Local CSR Concerns – Textile sector

The ECRC has completed a diagnostic of Corporate Responsibility in the textile sector with the aim of investigating how to enhance sustainability management in the sector.

The sector

- The textile industry one of Egypt's most important industries. It is considered the largest employer in the economy, accounting for 30% of local employment in 2010. It represents 27% of total manufactured production in the country, second largest after food processing. It is the 5th largest source of foreign earnings. Main textile exports go to Europe and the USA.
- Egypt is the only fully vertically integrated textiles industry in the Middle East, with the entire production process (from the cultivation of cotton to the production of yarns, fabrics and ready made garments) carried out domestically.
- The sector includes numerous small factories (workshops) that do not meet legal obligations. Hundreds, if not thousands of textile workshops in the country lack a license to operate, do not submit an annual budget, do not comply with national laws, pay no taxes, and pay no social insurance. This segment of the industry remains as a part of Egypt's informal sector, and hence is very difficult to reach, monitor, or hold accountable for their practices in any form. These contribute to low quality of products and inefficiency of labor.

Some of the key findings

- Understanding of CSR is quite low, only 33% of companies interviewed know what CSR is, while 39% think it is charity, that is, mostly in-kind or monetary contributions to society, be it employees, workers or neighboring communities and is primarily initiated by the values and good will of the business owners. Only 16% of the companies interviewed were engaged in community initiatives based on value-added concept.
- Workers in greater Cairo gave significantly high importance to company engagement with workers for improving business performance regularly, health and safety policies and procedures in workplace, independent workers' unions, documented disciplinary policies or procedures, solving employee disputes using fair and unbiased policies, and working hours based on the national legal maximum. Blue-collars placed significantly high importance on documented disciplinary policies or procedures, and solving employee disputes using fair and unbiased policies.

Themes

- Understanding of CSR as a competitive advantage
- Compliance with international standards
- Improved competitiveness
- Effective laws & regulations
- Labor practices
- Engagement
- Communication
- Innovation

3 main drivers for CR in the textile industry:

- Laws that govern the environmental and social behavior of a company, and more importantly the level of effectiveness of enforcement of those laws.
- Egypt, being an exporter to international markets and especially to the European countries and brands, obliges companies to comply with national laws and regulations, and international codes and standards.
- Personal values and ethics, in addition to the dominant religious culture of giving back to the community.

- Textile companies in the private sector face numerous challenges: absence of government support to promote sector development, lack of effective monitoring and control, lack of attention to environmental and social footprints posing even more challenges to companies striving to operate in a socially and environmentally responsible manner, lax enforcement of the law, lack of transparency, bureaucratic impediments, corruption, a large informal sector.
- On the micro-level, companies face numerous challenges, a business environment that lacks any form of promotion of corporate responsibility, scarcity of skilled labor, high cost of raw materials, scarcity of local qualified designers for ready-made garments, difficulty to adopt standards for various reasons such as cost, labor culture and readiness to change, lack of knowledge, lack of understanding of benefits of such initiatives to business.
- Labor laws are a great source of nuisance to the employer, who is under the belief that it is biased toward the employee at the expense of the employer. It is seen to be a hindrance to the industry as it keeps companies from expanding or from hiring new workers.

Local CSR Concerns – Agro-Food industry

The ECRC has completed a diagnostic of Corporate Responsibility in the Agro-Food sector with the aim of investigating how to enhance sustainability management in the sector

The sector

- The agricultural sector is one of the largest employers in the country, employing about 40 percent of Egypt's workforce and contributes ~15 percent of GDP in 2012/2013 and 20 percent of exports. The sector is a source of income for about 55 percent of the population. Egypt remains the world's largest wheat importer.

- The problem facing agriculture is the trend of young people to seek service-sector jobs, often in the cities, contributing to an increasingly aged agricultural workforce. Older farmers are less likely to adopt new technology. However, there is still a lack of work even in the cities, so the agricultural workforce does not face a particularly dire threat as of yet.
- The workers in farms are among the poorest in the population.

Some of the key findings

The CSR Diagnostics study showed that:

- International companies are dealing with CSR on corporate level regardless the sustainability of their core business model,
- The majority of Egyptian companies have rather a philanthropic approach rather than a strategic CSR approach,
- The majority of Egyptian companies in the Agro-Food industry do not have a published report on social, environmental and economic data,
- The majority of Egyptian companies in the Agro-Food industry do not have any communication about their CSR activities in form of a document,
- Only some Egyptian companies in the Agro-Food industry report on their CSR activities online,
- In general, there is no coordination between companies' CSR activities in one industry.

Some of the major challenges presented are:

- **Poverty and food consumption:** Population growth and associated food consumption issues; increasing rate of poverty; excessive wheat consumption; Egypt's food trade deficit; Dietary calorie intake and associated problems of obesity.
- **Water:** Water use in agriculture; water efficiency; water scarcity problem; Dependence on the Nile water distribution; delayed implementation of water pricing policies; huge water waste, flood irrigation, no incentives for different crop mixes, waste due to illegal practices such as illegal rice plantations.
- **Subsidies:** High subsidy for wheat and bread resulting in significant waste and poor dietary habits; subsidies not reaching the poor; bread used as animal feed; energy subsidies far exceed the combined budget for health and education.
- **Institutions and regulations:** Delayed implementation of 'unified food law' and 'food safety authority' leading to daily problems related to food safety in the local market and international trade (Egypt subject to penalties and receding in competitiveness; weak agrarian cooperatives leading to missing opportunities to achieve economies of scale and benefits to farmers.
- **Supply chains and logistics:** Crop wastage in Egypt is one of the highest in the world due to an inadequate supply chain mechanism; only 1% of retail outlets are considered organized modern trade.
- **Productivity:** Agriculture labor productivity is very low compared to other countries (EGY: 3,090 USD GDP per worker in 2004 compared to 7,426 USD GDP per worker in Malaysia , 15,350 USD GDP in Korea and 27,412 USD GDP in KSA).
- **R&D:** Agricultural research representing a very small percentage of an already trivial budget for scientific research (0.19% of GDP); lack of innovation.
- **Public expenditure on agriculture:** public investment to agriculture infrastructure is on average 3% of total public investment; investment not consistent with the size of the sector and its economic contribution (20% to exports, 20% to GDP and 40% to employment).

Themes

- Effective laws & regulations
- Labor practices
- Employee engagement
- Engagement
- Communication
- Innovation

Local CSR Concerns – Financial sector

The ECRC has completed a diagnostic of Corporate Responsibility in the financial sector with the aim of investigating how to enhance sustainability management in the sector.

The sector

- The Financial sector became the anchor of economic growth and poverty reduction in Egypt, it is one of the oldest and most-established in the Middle East and one of the best-developed in the region, owing to an industrious private sector and key regulatory reforms. Today, the nation's banks, brokerages, investment banks and private equity houses are among the most vibrant in the MENA region, attracting foreign investment from major local and international names, while launching their own ambitious regional expansion plans.

Some of the key findings

Weighed against ten normative requirements the performance of the financial sector in Egypt was rated High, Medium, Low:

- Compliance H-
- Corporate Governance: H-
- Decision-making: L
- Risk management: M-
- Products and services: L
- Internal Operations: M
- External Value Chain: M
- Monitoring and Reporting: L
- Stakeholder Dialogue: L
- Collaboration with industry peers, research, regulator: H-

Top issues that affect the business of financial institutions in Egypt:

- Corporate Governance
- Bribery and corruption
- Labor practices
- Community development

- External stakeholders identify bribery and corruption as the top issue, along with a sense that major local banks are really focused on established, corporate clients and failing to meet the needs of smaller enterprises, entrepreneurs and poor households.
- Acknowledging the latter problem, banks again tend to give “community development” (including local economic development) greater priority. Financial institutions are increasingly aware of persistent challenges associated with political instability and increasing unemployment, among others under a growing urban youth population. Investors see labor practices (including productivity) across industries as a significant issue, viewing labor as more significant a subject compared to the prioritization given by bankers and insurers.
- Almost all viewed corporate governance as a top issue. It reflects in part an awareness of the importance of corporate governance requirements set by international institutions such as the Basel Committee. It also reflects, more importantly, a frustration with the leadership of both financial institutions (including public ones) and client companies. This highlights the question of quality of leadership (for example of chief executives and board directors) and the apparent lack of strategic decision-making that was identified as a weakness in our assessment.

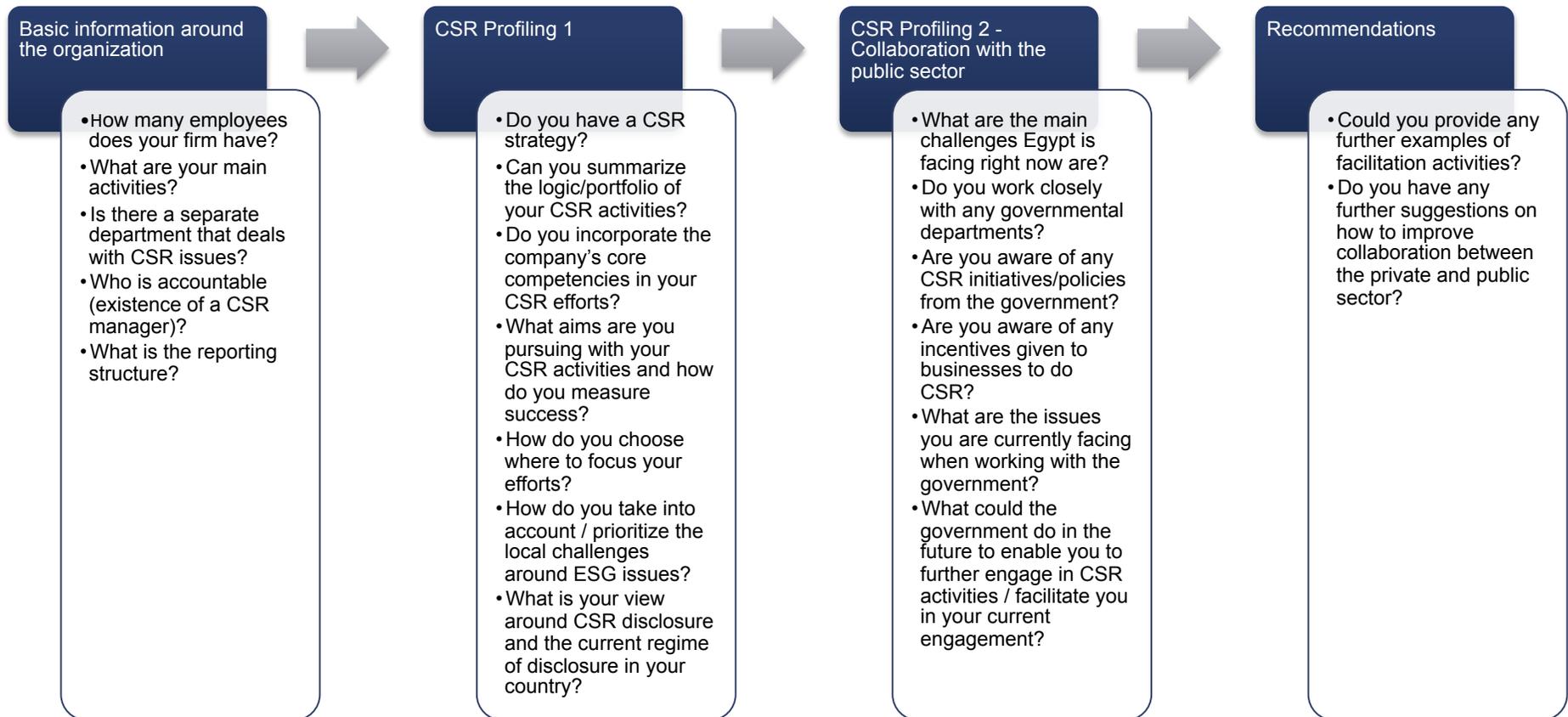
Themes

- Corporate Governance
- Labor practices
- Community development
- Communication
- Compliance with international standards

Interviews

The framework

- The interview questions depended on the type of institution / stakeholder interviewed each time. The interview framework and examples of the questions used are shown below.



Interviews

The interviewees

- Representatives from the public sector, private sector and NGOs were selected for the interviews. We would like to thank everyone for their collaboration and valuable insights



Interviews

The views around the main challenges in Egypt and further important comments from private sector, public sector, NGO and academic stakeholders are summarized.



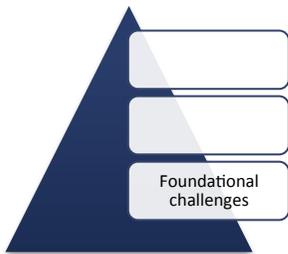
Which are the major challenges in Egypt?

In order to get a more in depth understanding of the public concerns and the challenges and opportunities around CSR, interviews were carried out with representatives from the public sector, private sector, academia and NGOs.

We collected their views around the main challenges in Egypt and also their suggestions on what the government could do to address these.

Interviews

The views around the main challenges in Egypt and further important comments from private sector, public sector, NGO and academic stakeholders are summarized.



Foundational challenges

By foundational challenges we classify challenges that are basic and need to be addressed as a priority because they hinder the development of a country. These challenges have been flagged both during our interviews and also came as a result of our data collection using the various sustainable development indexes. Most of these foundational challenges are interrelated, therefore any initiatives aiming to address one will have an impact on the rest. An example is the relationship between poverty, unemployment and education. People who are poor will not have the necessary capacity to afford good education and ultimately will find it hard to get a job, and as a result are more likely to be unemployed.

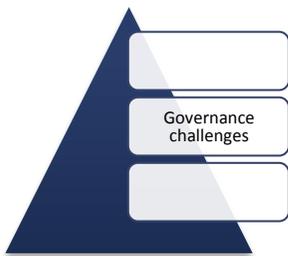
- Poverty
- Unemployment
- Education
- Illiteracy
- Health

What can the government do?

- Communicate national development plans
- Provide access and support. Not in terms of money but in terms of real access, e.g. for NGOs and Foundations that want to work with universities or schools
- Set the rules and give access to NGOs to do their work
- Create collaborative teams between the private sector, the public sector and NGOs
- Have more clear targets. Example could be reducing illiteracy in villages with a geographical focus (so that the corporates know where to focus efforts)
- Give a clear vision that would inform the work of the Foundations

Interviews

The views around the main challenges in Egypt and further important comments from private sector, public sector, NGO and academic stakeholders are summarized.



Governance challenges

By governance challenges we define problems around the systems and processes that govern the relationships between institutions. Governance issues can prove to be an impediment to sustainable development because they present obstacles to the implementation of the vision to address the foundational challenges. Governance challenges also create an environment of distrust of the public to the institutions and the government.

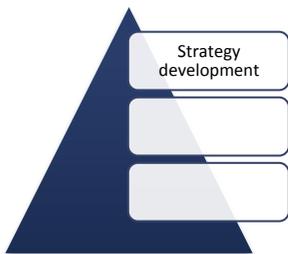
- Informal sector
- Corruption & disclosure
- Transparency & accountability

What can the government do?

- Address corruption and corporate governance issues.
- Introduce more transparency and disclosure of governmental activities and resource allocation. Currently the allocation of funds is not transparent. Companies tend to give money directly to the government, but they don't see where is the impact of their investments. If they could monitor the impact, they would be far more engaged and willing to help further.

Interviews

The views around the main challenges in Egypt and further important comments from private sector, public sector, NGO and academic stakeholders are summarized.



Strategy development challenges

Strategy development challenges consist of challenges around the development of a clear action plan that will address the foundational and governance challenges, and the facilitation of this plan. Strategy development is also about creating the appropriate structure of laws and incentives for companies and organizations to fulfil the vision and targets set by the government.

- Creating a development environment
- Lack of co-ordination
- Lack of clear vision / direction from the top
- Old laws not fit for purpose
- Lack of facilitation
- Lack of national strategy for NGOs and private sector

What can the government do?

- Give direction from the top.
- Give tax incentives that get communicated and do not stay at small prints.
- Form real partnerships.
- Communicate national development plans.
- Decisions from the top should be followed through (e.g. there is a decision at the top, but by the time it gets to the actual person in the field carrying out the work there are delays).
- Create the regulatory environment/legal system for establishing social enterprises. Currently it is not an NGO or a corporate.
- Communications/Co-ordination mechanism: there should be one umbrella because currently there is a duplication of effort.
- There is a need for a national strategy for small enterprises. There needs to be a consultation process for the national strategy.
- Engage stakeholders during the formation of a strategy and not at the end.
- Get organized: there is excitement but needs an organized fashion to create a bigger impact.
- Modernize some of the policies that could be hindering development.
- Create the legal structure and incentives for social entrepreneurship.
- Simplify the legal system/processes (e.g. you still need to physically go and deliver documents; why not use emails instead?).
- Facilitate the active NGO work. Leaner execution at the field level.
- Connect the dots between the civil society, NGOs, private and public sector with formulas that would help them bring each other together.

Interviews

The views around the main challenges in Egypt and further important comments from private sector, public sector, NGO and academic stakeholders are summarized.



- Understand the fundamental problems that hinder sustainable development
- Create a strategic national plan to address these problems
- Quantify the expected outcomes and targets of these plans

- Create a policy framework that will accelerate growth
- Improve transparency in the collaboration with the private sector

- Create a national strategy based on consultations with stakeholders
- Give direction from the top
- Create legal structure and incentives
- Revise old fashioned laws that are not fit for purpose
- Modernize inefficient bureaucratic processes

1. Focus on a basic foundational challenge and understand the mechanisms of interconnection to the rest so that any improvements will create a net positive impact on more than one dimensions.
2. Govern the relationships to address this foundational challenge in a transparent manner.
3. Create the strategy to address the challenge and facilitate the collaboration with the public sector, foundations and NGOs.

Interviews

The views around the main challenges in Egypt and further important comments from private sector, public sector, NGO and academic stakeholders are summarized.

Further Comments

- Skepticism of CSR activities from the public. These are perceived mostly as PR activities.
- CSR is not well communicated.
- A common portal for information would be useful.
- The ESG index was not very visible and not advocated enough.
- Corruption and corporate governance issues impede international investments. This is tied to high bureaucracy and an environment that sometimes fosters bribery (e.g. having to pay to get papers done quicker).
- The media should be treated as a major stakeholder because of the influence they have over public trust.
- A sectorial approach on CSR issues is the most effective way to identify meaningful strategies.
- There are no ethics officers within companies and PR managers are performing the duties of CSR managers.
- Corporate governance is still relatively new to the corporate world in Egypt. The interviewees believed that you start with investor relations and corporate governance and then you move on to CSR.
- There is currently confusion between the definition of CSR and philanthropy.
- The Government needs to introduce more transparency in their practices.
- Media relate CSR to propaganda - there is criticism/skepticism. There is no PR budget for communication activities.
- Companies tend to give money directly to the government, but they don't see where is the impact of their investments. Disclosure of activities is necessary as currently the allocation of funds is not transparent.
- Corporate foundations are not mentioned under the law. The ministry of social solidarity covers NGOs, the ministry of Finance covers Corporates, and Corporate Foundations are somewhere in between.
- NGOs are charities for the majority of them. The remaining 20% are involved in development.
- Social media campaigns are very important. The internet uptake is very high, presenting a great opportunity.

Interviews

The views around the main challenges in Egypt and further important comments from private sector, public sector, NGO and academic stakeholders are summarized.

Further Comments

- Some old laws may be creating problems and foster a corruption environment. There is a need to modernize the laws that govern entrepreneurship.
- The government has big capabilities of outreach that they need to utilize.
- System is not encouraging private/public partnerships.
- Some of the laws are not enforced as they should. E.g. in public procurement law states 5% need to be startups but then on the RFP documents it states that you need to have previous dealings with the government which is contradictory.
- NGOs want to offer opportunities rather than always formal partnerships.
- There needs to be a vision that is clearly communicated. Then give a portion of that vision to the private sector and have the public sector to facilitate.
- The government is seen as a whole and not as individuals with accountability. If a project fails the blame is on the government rather than on the individual managing it.
- Create team work spirit. Have a project based approach where there is ownership and accountability that would promote a care for the output.
- More facilitation is expected from the government. Not meaning to jeopardize oversight, but reduce bureaucracy. Sustainability reporting brings several benefits even to non-finance departments.
- CSR should be related to business operations.
- Incentives are not clear. It should be probably about community projects.
- NGOs are duplicating efforts / There is no partnership between NGOs.
- No reporting from NGOs to show their impact / what they are doing.
- Provide incentives for banks/clients to integrate ESG.
- Communicate the purpose and criteria of the ESG index.
- The central bank of Egypt should seek input for creating a sustainability strategy.
- There are good intentions but everything is departmentalized.
- CSR is not a charity. The private sector wants to know where they are spending their money and what kind of benefits the local communities are getting out of that spending.

Key Findings

- Overall the concept of CSR is *maturing* in Egypt. All of the interviewees understand and acknowledge the importance of moving from the old model of *philanthropy* to the new model of *inclusive CSR*. Nevertheless, there is a selection bias on the findings, given that all the interviewees were selected due to their existing work, knowledge and commitment to CSR issues. Training and education on CSR should be further expanded to businesses and institutions that are in the process of transitioning from a philanthropy to an inclusive model.
- Some of the main challenges Egypt is facing with potential opportunity for CSR activities to be beneficial are: poverty, unemployment, education, health, corruption, bureaucracy.
- Most of the interviewees pointed out that there is currently a *lack of strategic vision* from the public sector that would inform the private sector on where to focus their efforts.
- All of the interviewees are keen on a more *collaborative environment* where team efforts between the public and private sector will create bigger impact.

The next steps

Conclusions

Decide on challenges to be addressed

- Although several major challenges were raised during the interviews, the ones that repeatedly came up as the most important ones were poverty, unemployment, education, health, corruption, bureaucracy.
- Not all challenges can be dealt at the same time, and not all of them are within the remit of CSR. Therefore a focused approach is needed for more impactful results.
- The focus for the rest of the report will be on dealing with poverty through job creation and education.

Define and communicate the vision

- One view that all interviewees shared was the lack of long-term clear vision and direction from the top.
- Therefore the first step of the new strategy will be to set and communicate targets. This will give a strong message of a clear vision and will encourage efforts.

Project based approach

- During the interviews, themes such as lack of co-ordination, duplication of efforts, lack of accountability were brought up.
- We believe that the best way to deal with such issues is to have a project-based approach. The ECRC should be leading these efforts due to their expertise and role.
- The project-based approach will be further elaborated with recommendations around specific projects.

Measure / Report results

- What gets measured gets managed. Every project needs to have measures of success and clear deliverables together with a person accountable for the delivery.
- By publicly reporting on the results of each project, transparency and accountability will be reinforced and more stakeholders will be on board in achieving the new vision.



How can we create an environment where the private and public sector works in collaboration to address the issue of poverty through promoting job creation and improving education?

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CSR policies worldwide – Case studies

Introduction

Profiling CSR national policies worldwide and identifying relevant practices and probable applicable lessons for Egypt is a very important step. By finding countries with similar characteristics that went through a transformational journey, government stakeholders will become more engaged since they will be able to see the benefits of such an approach.

The examples of Malaysia, India and Greece are deemed to be highly relevant due to the similarities of the challenges these countries were facing to the challenges identified in the previous sections that are prevalent in Egypt.

Some more case studies are given which are part of our research into how governmental regulatory interventions affect companies' financial performance and organizational processes.

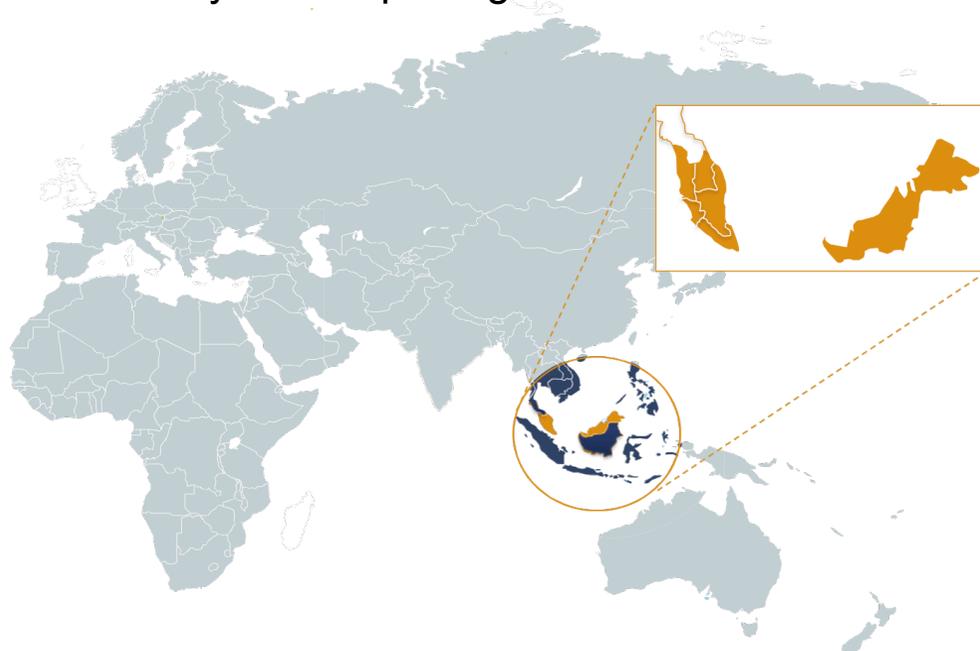


Section overview

The first part of this section presents case studies of countries with similar challenges to Egypt. The second part explores further case studies to understand the effect of regulatory interventions.

CSR policies worldwide – Case study Malaysia

Mandatory CSR reporting



The challenges

- Increase the well-being of Malaysia's rural inhabitants and other low income groups, primarily by raising their productivity and thus their income-earning capacity
- Vision to show leadership in the capital markets for the Muslim world
- Build bridges to the ethical and responsible investment movements in Europe and US
- Uneven income distribution
- Low levels of human resource development

Action plan

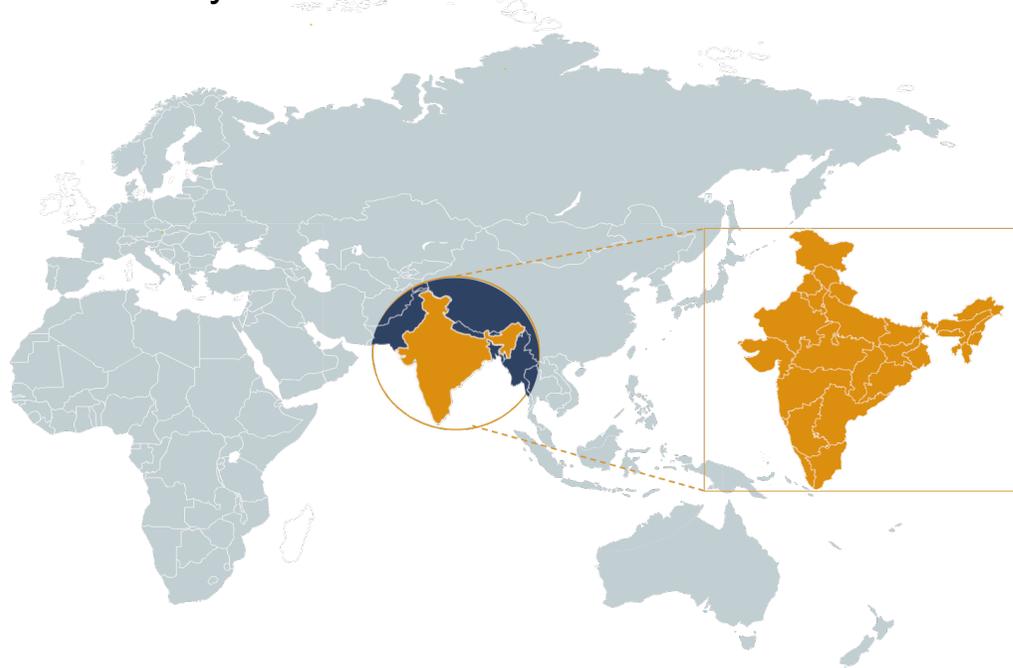
- Economic Transformation Plan - Address economic issues, improve the competitiveness of the economy and increase private investment to meet the stated target of Malaysia achieving high income status (as defined by the World Bank) by 2020
- Government Transformation Plan – Improve the efficiency of the public service delivery system, particularly in matters directly affecting citizens, such as licensing and taxes.
- Mandate CSR reporting
- Development plan to promote the welfare of all
- Stimulate new kinds of economic activity

Examples of initiatives

- Malaysia with a law introduced in 2007 required all listed companies to publish corporate social responsibility reports.
- Malaysia has recently developed a CSR index. Malaysia is using this index to enhance their global competitiveness as a marketplace for Socially Responsible Investment (SRI) and attract funds from around the world.
- Among the measures taken from the Prime Minister Datuk Seri Najib Tun Razak, apart from establishing the CSR index, was to establish an SRI fund and to allocate RM1 billion to invest in companies that score high on CSR. At one of his statements, the prime minister quoted: 'The readiness of public-listed companies to compete for SRI funds were derived from the six years of effective Shariah-compliant screening and profiling through its FTSE Bursa Malaysia Shariah Index Series and CSR annual reporting requirements.'

CSR policies worldwide – Case study India

Mandatory social contributions



The challenges

- Poverty
- Uneven wealth distribution
- Corruption
- Illiteracy
- Gender inequality
- Education
- Environmental issues (deforestation, illegal wildlife trading, loss of biodiversity, water and air pollution)

Action plan

- Implementing more effective corporate governance mechanisms
- Tighter control of the financials
- Systematic fight against corruption
- Efforts to reduce the size of the public sector
- Propose mandatory social contributions to satisfy the people by forcing companies to promote social welfare and at the same time please companies by avoiding additional taxes while allowing them to benefit from the autonomy of choosing how and where they will support social goods

Examples of initiatives

- The Indian parliament has recently pushed forward a plan to mandate CSR spending. The new law mandates that companies exceeding a certain size, 2% of each year's profits averaged over the past 3 years, would be required to go toward socially responsible initiatives. The bill did not define CSR for the purposes of expenditures. Instead, it allows companies to formulate their own plans for CSR spending, but demands that they report their expenditures on a yearly basis to ensure compliance. According to industry estimates, around 8,000 companies will fall into the ambit of the CSR provisions and this would translate into an estimated CSR spending of \$1.95 billion to \$2.44 billion. This is the first time that a government applies the idea of mandatory CSR, making India the only country in the world with legislated CSR.
- The CSR policies created by the companies under the law are required to involve at least one of the following focus areas:
 - Eradicating extreme hunger and poverty
 - Promotion of education, gender equality and empowering women
 - Reducing child mortality and improving maternal health, combating HIV, AIDS, malaria and other diseases
 - Ensuring environmental sustainability
 - Employment-enhancing vocational skills. Establish social business projects
 - Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the state governments for socioeconomic development

CSR policies worldwide – Case study Greece

Fighting corruption - Corporate governance reforms



The challenges

- Major financial crisis
- Repeated government failures
- Corruption scandals
- Rising unemployment
- Oversized public sector
- A resulting unmanageable sovereign debt

Action plan

- Implementing more effective corporate governance mechanisms
- Tighter control of the financials
- Systematic fight against corruption
- Efforts to reduce the size of the public sector

Examples of initiatives

- On the topic of bribery and corruption, the Greek government has established a new agency that aims to implement a new strategy in order to prevent corruption phenomena in the public sector.

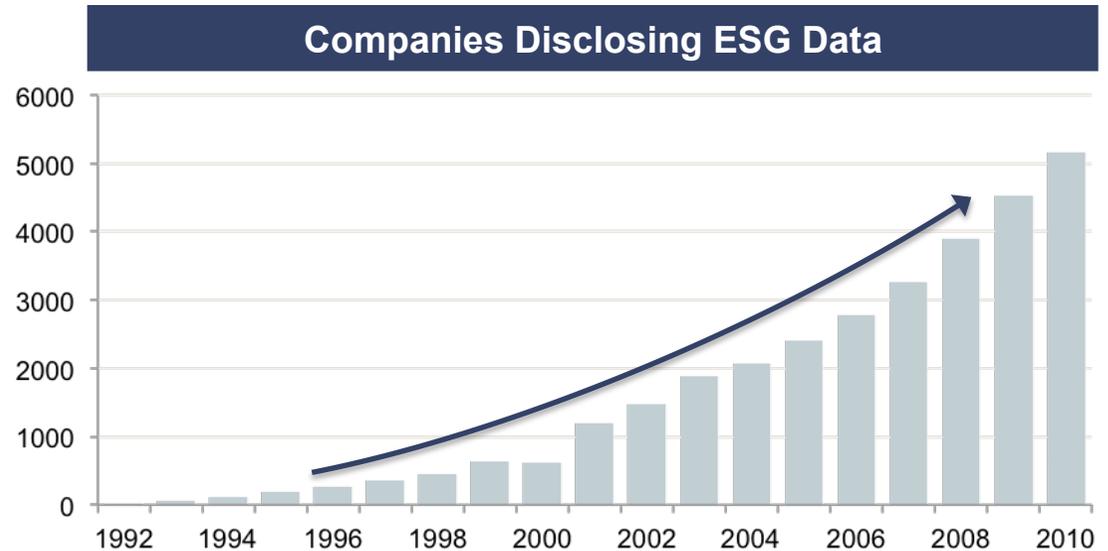
- Simplification of administrative procedures, reorganization of audit and control mechanisms
- Enhancing legislation on whistleblower's protection
- Improve training on corruption issues

- Introduction of code of conducts for public employees, members of government and members of Parliament
- New legislation and electronic based procedures on procurement process
- Listed companies are required to publish an annual corporate governance report.

Case studies - Disclosure

Disclosure on sustainability topics has dramatically increased the last 20 years

- Reporting of sustainability information has become widespread.
- National governments and stock exchanges have promoted sustainability reporting by adopting regulations or listing requirements that often mandate this form of disclosure.
- An increasing number of regulations are emerging across countries that mandate the disclosure of environmental, social, and governance data.



What is the effect of regulatory interventions on the companies' nonfinancial disclosure practices and organizational processes?

The countries

Data has been collected on 4 countries that mandated sustainability disclosures before 2011



Denmark, South Africa



High ESG disclosure before regulation

- Both Denmark and South Africa are countries where ESG reporting was widespread before the regulation
- High quality corporate reporting
- Corporate governance and protection of outside investor rights are considered world-class in South Africa, largely because of the influence of British common law that was transferred to South Africa from the UK through colonization
- High quality legal enforcement regime
- Corporate governance is also considered reasonably strong in Denmark with an exceptionally high quality legal enforcement regime.
- While Denmark did not face any significant social or environmental problems, South Africa was facing high levels of corruption, poverty, social inequality, and HIV infection among the population.



China, Malaysia



Low ESG disclosure before regulation

- Both in China and Malaysia had very low levels of ESG reporting before the regulation.
- While both represent emerging economies and both have experienced impressive economic growth in the past few decades, they have significant differences: Malaysia is a more open economy with more limited government intervention compared to China.
- The quality of the corporate governance structures and corporate reporting are considered higher in Malaysia compared to China
- Social and environmental challenges are more severe in China (increasing levels of social inequality, concerns about human rights, and environmental pollution)

CSR policies worldwide – Case study Denmark

Mandatory CSR reporting



- ✓ Emphasis on supply chain relations
- ✓ Firms signed on the United Nations Global Compact
- ✓ No increase in disclosure

The reform

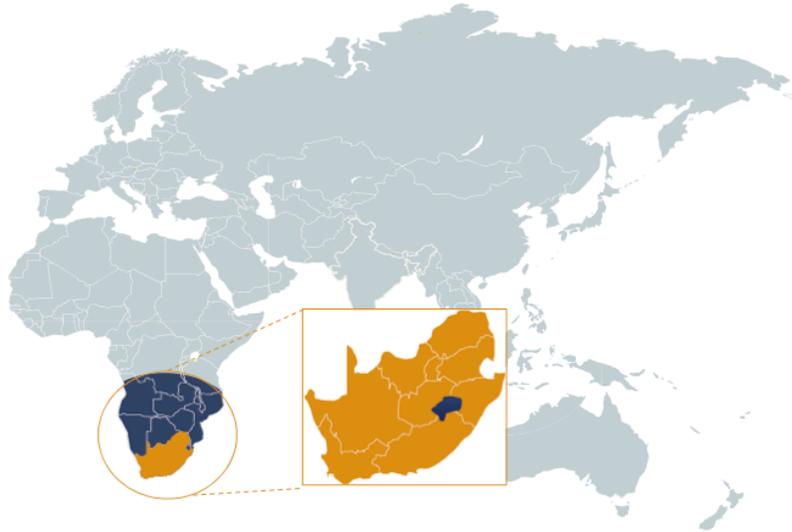
- October of 2008: the Danish Minister for Economic and Business Affairs introduced an Act amending the Danish Financial Statements Act. Large companies, meaning businesses that satisfy two out of the three criteria of total assets more than DKK 143 million, net revenues of DKK 286 million, and an average number of full-time employees of 250, were required to supplement their management's review with a report on social responsibility.
- Corporate social responsibility was defined as one that has to "voluntarily include considerations for human rights, societal, environmental and climate conditions as well as combatting corruption in their business strategy and corporate activities".

How companies responded

- Because many of these policies were mostly relevant to Danish companies conducting business abroad, and due to the absence of significant environmental and social challenges domestically, emphasis was given on supply chain relations.
- Danish firms signed on the United Nations Global Compact since complying with the Communication of Progress in the UNGC was explicitly stated in the regulation as a sufficient action that would satisfy the requirements of the regulation. Moreover, Danish firms emphasized the incorporation of social and environmental criteria in supply chain management.
- No increase in disclosure relative to control groups.

CSR policies worldwide – Case study South Africa

Mandatory CSR reporting



- ✓ Firms significantly increased the probability to get assurance on their ESG disclosures
- ✓ Firms signed on the Global Reporting Initiative (GRI)
- ✓ Firms increased disclosure

The reform

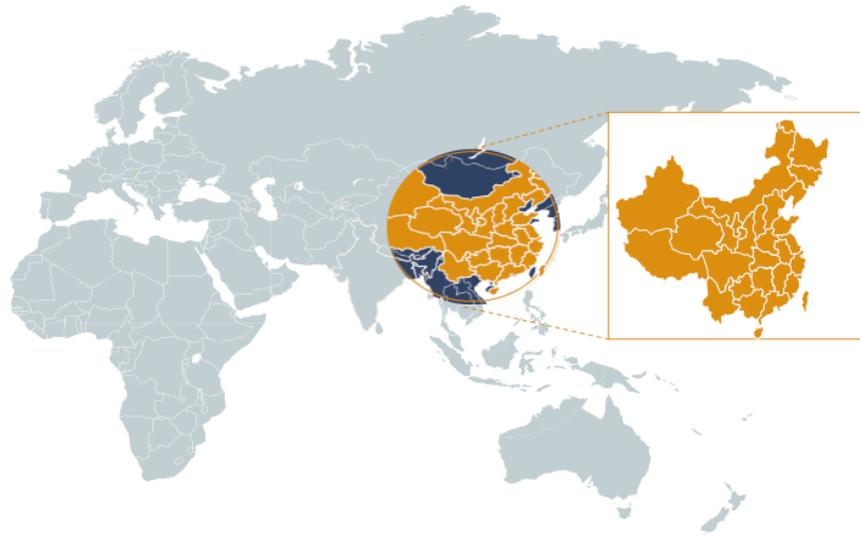
- In South Africa, the Johannesburg Stock Exchange (JSE) mandated the disclosure of sustainability information starting from the 2010 financial year and then integrated reporting starting in 2011, with the issuance of the King III Report on Corporate Governance in 2009. Although both King I and King II discussed sustainability issues as part of corporate management, King III emphasized to a great extent the ideas of leadership, sustainability, and corporate citizenship.
- In contrast to the Denmark's Act that required disclosure of ESG issues in a supplementary and non-integrated way, South Africa, driven by the King III report, mandated that sustainability issues were to be interwoven with financial reporting. The integrated report should describe the value creation process inside the organization putting its economic performance into context by discussing the environment in which it functioned and its impact on stakeholders, as well as strategies for mitigating any negative impacts on society. The JSE made integrated reporting mandatory for all listed companies on an "apply or explain" basis where companies could explain why they would not issue an integrated report. Therefore, similar to Denmark, in South Africa a company could just explain why they would not make ESG disclosures.
- Emphasis on the ideas of leadership, sustainability, and corporate citizenship.
- Sustainability elements in an integrated report should be independently assured.

How companies responded

- Firms increased disclosure significantly.
- A dramatic rise of the probability to get assurance on their ESG disclosures and they are significantly more likely to adopt the reporting guidelines of the Global Reporting Initiative (GRI), which represents the most widely adopted reporting guidelines for nonfinancial information.

CSR policies worldwide – Case study China

Mandatory CSR reporting



- ✓ Emphasis on the economic aspects of CSR
- ✓ Firms increased disclosure

The reform

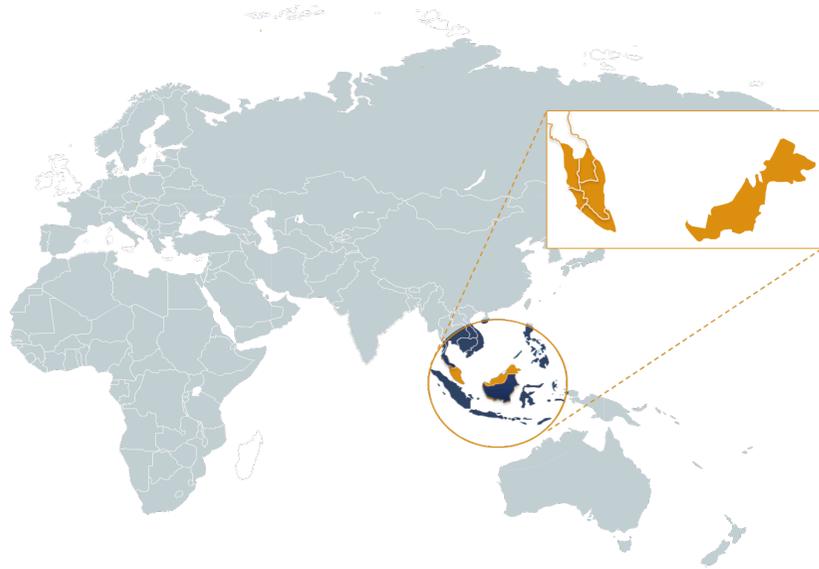
- The Shanghai Stock Exchange (SHSE) and the Shenzhen Stock Exchange (SZSE) mandated certain listed firms to disclose ESG information starting for financial year end in December 2008.
- SHSE mandated reporting of ESG information to firms included in the SHSE Corporate Governance Index, firms with overseas listed shares, and financial firms. SZSE mandated ESG reporting for firms included in the Shenzhen 100 Index.
- The Chinese government had previously revised Article 5 of the Company Law in 2006 to require companies to “undertake social responsibility” in the course of business and in January of 2008 the State-Owned Assets Supervision and Administration Commission of the State Council released the Guide Opinion on the Social Responsibility Implementation for the State-Owned Enterprises controlled by the government.
- Both the reporting regulations and the previous government actions emphasized the economic benefits of CSR and how CSR could be a driver for harmonious growth and help organizational creativity, reputation, and employee engagement. Rather than emphasizing the moral obligations of companies, government officials are focusing on economic incentives and the positive effects from CSR efforts.

How companies responded

- Firms increased disclosure significantly.
- A dramatic rise of the probability to get assurance on their ESG disclosures and they are significantly more likely to adopt the reporting guidelines of the Global Reporting Initiative (GRI), which represents the most widely adopted reporting guidelines for nonfinancial information .

CSR policies worldwide – Case study Malaysia

Mandatory CSR reporting



- ✓ Emphasis on philanthropic activities
- ✓ No increase in disclosure

The reform

- The stock exchange Bursa Malaysia made ESG disclosure a listing requirement for all listed firms starting in 31st of December 2007. This followed the Malaysian Prime Minister's speech announcing the requirement for listed companies to report on their CSR initiatives.
- There is an obligation for firms to disclose a description of their CSR activities or if there are none, a statement has to be made acknowledging the absence of such activities.
- Similar to the cases of Denmark and South Africa, while Chinese and Malaysian companies were mandated to disclose the policies that they have in relation to a series of ESG issues and the actions that they take to achieve the objectives of their policies, no specific guidelines were provided to require disclosure on specific metrics. In contrast though both the Chinese and Malaysian disclosure regulation did not discuss the role of assurance and the responsibilities of the auditors.

How companies responded

- Malaysian firms emphasize philanthropic activities since corporate social responsibility (CSR) in Malaysia is still understood as a set of philanthropic activities.
- CSR activities are currently understood by Malaysian companies as philanthropic projects that are rarely an explicit component of a company's business model or planned in a strategic manner.
- Firms did not increase disclosure.

Conclusions

- How firms respond to disclosure regulations depends on the local context and the underlying understanding of the motivations for ESG disclosure.
- A clear direction from the government is crucial to steer the efforts of the CSR activities.
- A mishmash of CSR initiatives does not add up to a sustainable strategy. A strategy must address the interests of all key stakeholders (investors, employees, customers, government, NGOs and society at large).
- Businesses need to understand the material issues for their business model and utilize their core competencies when they decide on where to focus their efforts.

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Recommendations

Introduction

For a successful long-term sustainable development strategy, the key steps for a government should be to have a clear vision and target, communicate that vision and then facilitate the journey to achieve it. To have meaningful results, there should also be a clear focus around the activities that are being undertaken and what their purpose is.

Although CSR initiatives can cover a broad spectrum of social, environmental and governance challenges, the focus of the recommendations will be to address two of Egypt's prominent and interlinked challenges, unemployment and poverty.

We will explore how we can create an environment where the private and public sector works in collaboration to address the issues of poverty and unemployment through promoting job creation and improving education.



Section overview

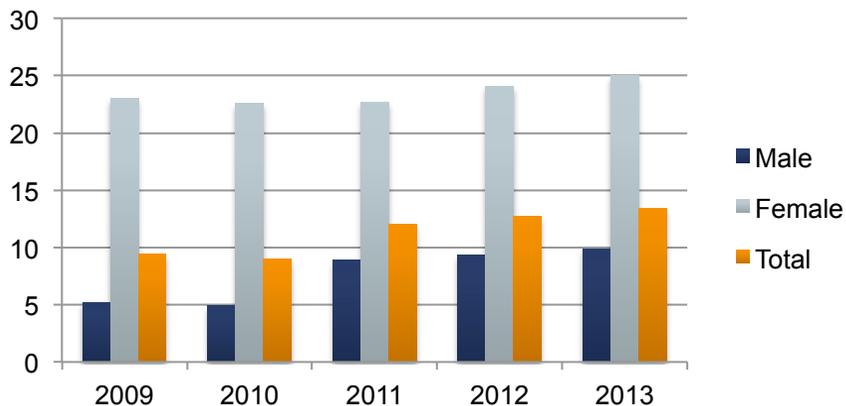
This section contains a list of recommendations for nurturing start ups, SMEs and MSMEs and enabling education for employment.

The challenge

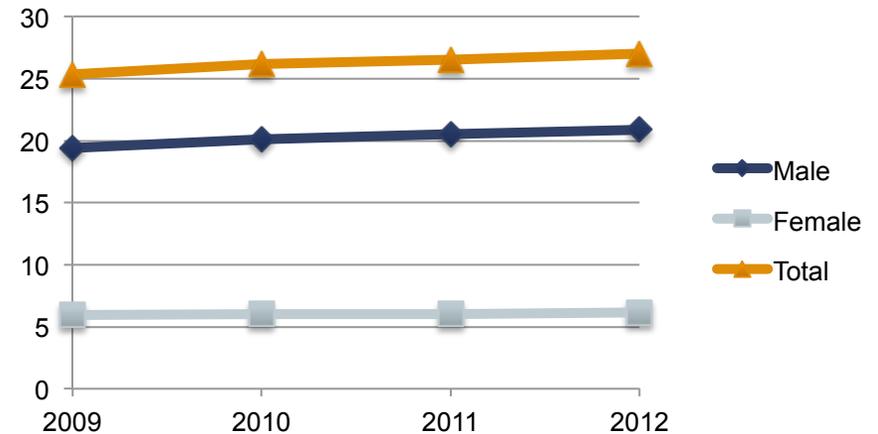
High rate of population increase coupled with a growing unemployment rate especially among young people.

Egypt is confronted with a high rate of population increase, with a growth rate at around 2% and more than 90% of the population living on less than 10% of the land. It is anticipated that Egypt will exceed 140 million inhabitants by 2050 adding to a growing labor force. There are around 1 million new entrants to the labor force annually. This puts a tremendous pressure for creating employment opportunities, understanding the market needs and promoting the right skills for employment.

Unemployment rate



Labor force (in millions)

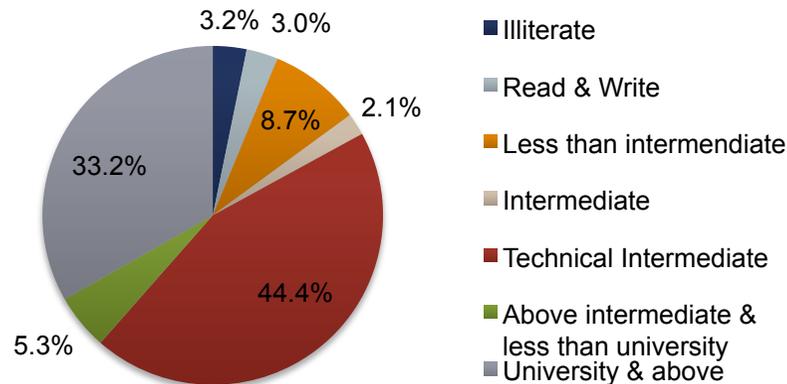


Discrimination based on gender remains to be a major issue in the Egyptian labor market. Women suffer from higher unemployment rates than men according to official statistics. Those who work earn significantly less than men in the private sector, even after taking into consideration education and experience.

The challenge

Mismatch of education and labor market demand

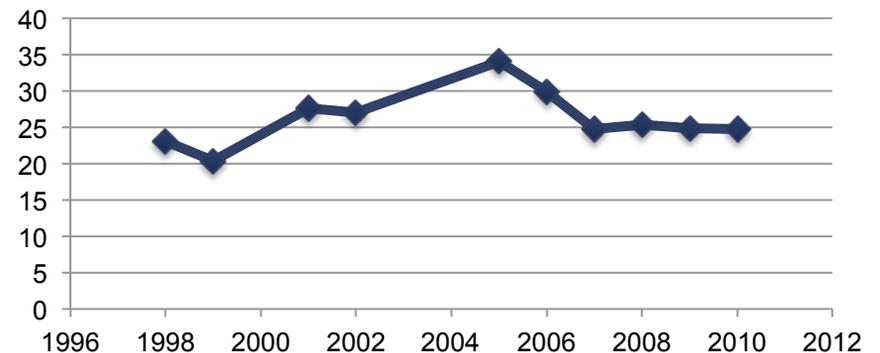
Percentage distribution of unemployed by educational status (2012)



Youth unemployment is currently at very high levels, almost at 25%. The percentage of unemployment exceeds 60% among young females in the same age group.

According to the 2006 population Census, almost 91.5% of the total unemployed were in the age group 15-30 years. In addition, the share of middle and highly educated unemployed represents 79.5% of total unemployed. There is also a significant insertion problem: ~90% of the unemployed are new entrants to the labor market. Unemployment hits females more than males, as unemployment rates reached 40% for females and only 19% for males in the age group 15-30 years. For youth with university degrees, unemployment jumps to nearly 45% for females and 25% for males, compared to 30% for females and 12% for males among university graduates of all ages (15-64 years).

Youth unemployment rate (aged 15-24, both sexes)



Our approach

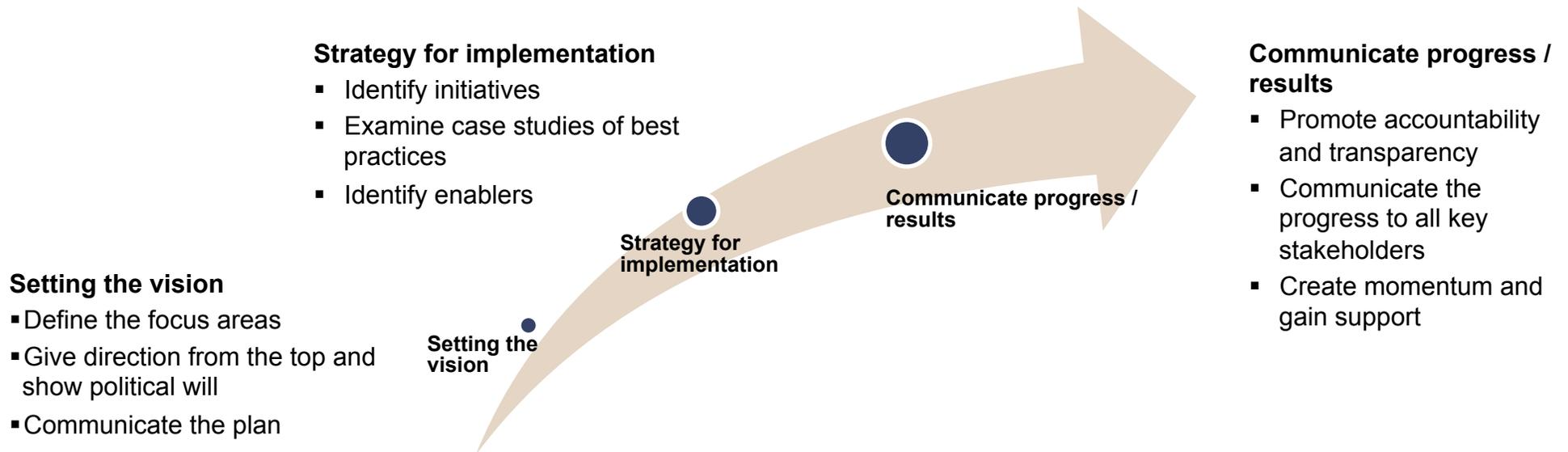
Creating a sustainable development policy focusing on job creation

The focus

How can we create an environment where the private and public sector work in collaboration to address the issue of poverty through promoting job creation and improving education?

Our approach

Our approach in developing a sustainable development policy is to define the focus areas, examine case studies of best practices and identify a series of short and long term initiatives with clear objectives and enablers for their implementation.



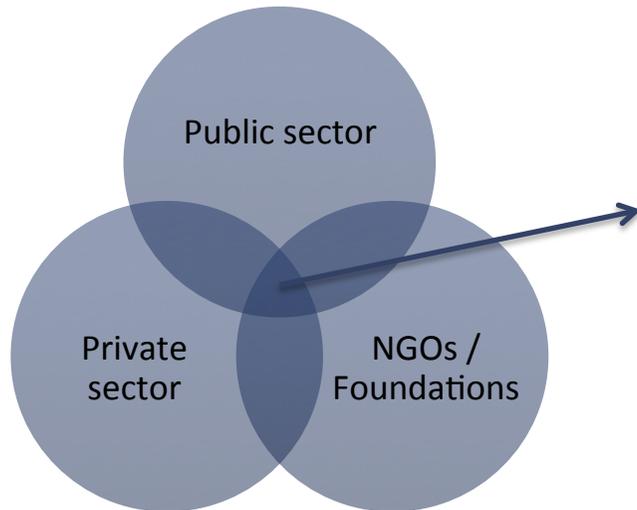
Setting the vision

Define the target and clearly communicate to all key stakeholders

In 2003, Egypt became one of the 'Lead Countries of the Secretary-General's youth employment network' (YEN) – a partnership between the United Nations, the World Bank and the International Labor Organization (ILO). As part of its commitment as a YEN Lead Country, in 2009 the government of Egypt prepared a National Action Plan on youth employment (NAP). The NAP's aim was to reduce the unemployment rate for youth within the next five years.* The average annual growth rate of labor force in the age group 15-30 years, during the period 2002-2007 amounted to 5%, and the labor force was estimated for the period 2010 – 2015 on this basis as well as the number of jobs required annually during the NAP time span. The goal was to reduce the unemployment rate for youth from around 23% according to the 2006 Census to 15% by the end of the NAP. Accordingly, the total number of jobs that should be created during the five years of the NAP amount to 3.1 million jobs with an average of 619,506 jobs annually to absorb the annual increase in the youth labor force and part of the stock of unemployed. Although the plan was never implemented, the calculations around the number of jobs that need to be created are correct.

*Ministry of Manpower and Migration (MOMM) & International Labor Organization (ILO), 2009. Egypt Youth Unemployment National Action plan.

~700,000
New jobs need to
be created each
year

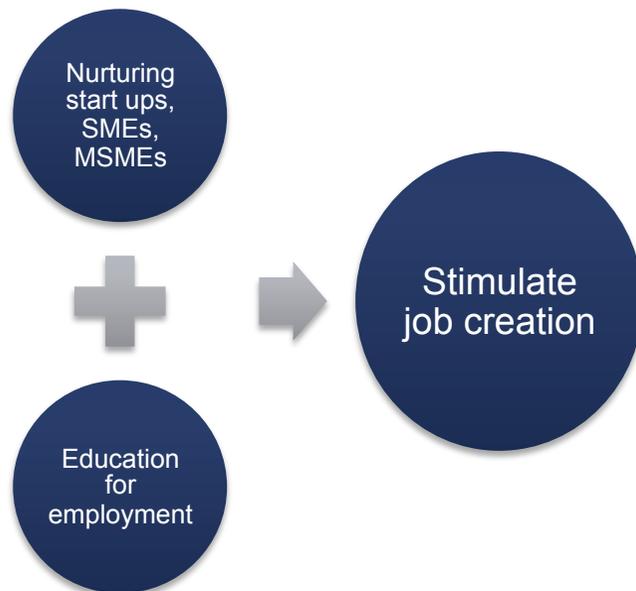


A link between the public, private sector and the NGOs needs to exist that would drive the efforts around job creation. The ECRC is a unique place to perform this role as it could initiate projects that promote collaboration, define accountability and monitor performance.

Setting the vision

Focus areas

There are numerous ways to promote job creation. One methodology would be to undertake a sectorial approach, where initiatives for job creation are identified sector by sector. Another approach would be to take a more holistic view of the unemployment problem and try to identify major cross-sectorial areas that could be improved. For the purpose of this report we will adopt the latter methodology. We will examine two main drivers of job creation: Nurturing start ups, SMEs & MSMEs and promoting education for employment. The selection of these two focus areas has come as a result of our research and also of the data collected during our interviews in Egypt.



“There needs to be a vision that is clearly communicated. Then give a portion of that vision to the private sector and have the public sector to facilitate” - Interviewee

Nurturing start-ups, SMEs, MSMEs

Introduction

In most economies SMEs play a very important role in job creation. In Egypt, as in many non-OECD countries, the majority are micro-enterprises MSMEs (representing around 65-75% of the business landscape). In the US from 1992 to 2010 SMEs accounted for 62% of net jobs created. In the UK almost 99% of all enterprises are SMEs. The micro-enterprises face similar difficulties with SMEs. These are:

- Difficulties to access finance and business development services.
- Resource constraints – scarce supply of skilled and trained workers and inability to pay high wages.
- Small companies face collaboration challenges when working with big corporations – hard to locate decision makers in a complex corporate structure. The bigger the customer, the more difficult the challenges.
- Late payments can create significant problems since borrowing money for small companies is not always easy and is usually expensive.
- Demand constraints, such as the weak purchasing power of low-income customers.
- Limited linkages to larger firms.
- Low utilization of technology.
- Legal and regulatory constraints which impose heavy compliance burdens and costs, leading to the high level of informality.

There are several challenges with creating the right environment for entrepreneurship. Small business failure rates have been on the rise and according to Eurostat the economic crisis has made it more difficult for SMEs to access banking credit. The proportion of unsuccessful loan applications rose between 2007 and 2010.*

Eurostat, October 2011. 'The Proportion of Unsuccessful Loan Applications by SMEs Has Risen With the Economic Crisis', news release.

Nurturing start-ups, SMEs, MSMEs

How the government can help

The public sector can create the environment for MSMEs & SMEs to drive job creation.

- Create more MSME jobs/opportunities (the digital sector is an example of an opportunity market that could create a significant number of jobs)
- Training (managerial skills)
- Modernize laws that govern entrepreneurship / Revise laws that make it difficult for MSMEs to get contracts / Incentives / Facilitate supply chain relationships

Case Study: UK Government Prompt Payment Code

The Prompt Payment Code* is an effort to create an environment of confidence across the chain that would stimulate investment and growth. The Code has currently 1682 signatories. The Code signatories undertake to:

1. Pay suppliers on time
2. Give clear guidance to supplier
3. Encourage good practice

Prompt payment is critical to the cash flow of every business, and especially to smaller businesses within the supply chain. But it is not just the timeliness of payment, though fast payment is always welcome, but rather the certainty of getting paid that is really important, which enables businesses to plan both for their short and long term goals.

The 'Prompt Payment Code' is about encouraging and promoting best practice between organizations and their suppliers. Signatories to the Code commit to paying their suppliers within clearly defined terms, and commit also to ensuring there is a proper process for dealing with any issues that may arise. This means that suppliers can build stronger relationships with their customers, safe in the knowledge that they will be paid, and confident that they are working with a business that values the service they deliver. Independent analysis by Experian suggests that current signatories to the Code represent over 60% of total UK supply chain value, so the Code is making a difference.
Matthew Hancock MP, Minister of State for Business and Enterprise.

* <http://www.promptpaymentcode.org.uk/>

Nurturing start-ups, SMEs, MSMEs



Create more jobs / opportunities – take advantage of the expansion of the digital economy (1/3)

As the digital revolution has created a growing digital economy, it increasingly gives rise to work that resides in the 'digital environment'. For example, a large number of people around the world earn their income from jobs such as categorizing products on e-commerce sites, acting as moderators in online communities, testing videogames, and performing third party gaming services. Because these tasks can all be completed online, they can be physically carried out anywhere, as long as there is a computer connected to the internet. Although so far it was developed countries taking advantage of this digital revolution, more and more developing countries are positioning themselves in the production side of this digital economy with a vision to share its rewards.

Such digital blue collar work can be satisfied through the so-called crowdsourcing and micro sourcing models. The basic principle behind these models is that instead of hiring someone to carry out a job, the job is broken down into small individual tasks and distributed to a large pool of workers over a digital network. The two models are very similar with a few differences existing in terms of the task sizes, source of workers, workers' tools needed and skills required.* These models of work are particularly attractive for developing countries because they require few skills or qualifications, the work can be remotely done anywhere, the low cost of labor is a competitive advantage, the type of work is inclusive since differences in gender, disabilities, origin do not play any role in the selection of individuals to perform the tasks.**

*infoDev, 2011. 'Knowledge map of the virtual economy – Converting the virtual economy into development potential'

** World Bank, June 2012. 'New frontiers and opportunities in work: ICT is dramatically reshaping the global job market. ICT Policy Notes

Case study: China & Vietnam

As an example of the third-party gaming services, an estimated 100,000 young, low-skilled workers in countries like China and Vietnam earn their primary income by harvesting virtual resources and providing player-for-hire services in popular online games.*** The gross revenues of the third-party gaming services industry were approximately \$3.0 billion in 2009, most of which was captured in the developing countries. In comparison, the global coffee market, on which many developing countries are dependent, was worth over \$70 billion but only \$5.5 billion was captured by the developing countries that produced the coffee beans. This shows the impact on the local economy these digital work opportunities might have.

***International Telecommunications Union, 2014. 'Digital opportunities: Innovative ICT solutions for youth employment'

Nurturing start-ups, SMEs, MSMEs



Create more jobs / opportunities – take advantage of the expansion of the digital economy (2/3)

While it may be common for skilled, educated workers to use existing web-based job-matching services to find job openings, many workers may not have access to job postings on the internet and may lack the social networks to find out about work opportunities. Searching for informal sector jobs often occurs through word-of-mouth, which limits people to their immediate social group. Employers may find it hard to identify lower-skilled workers for entry-level jobs in developing countries as many of the job matching services target more qualified candidates.

Mobile phones are becoming an important tool for job seekers and there are a number of job-matching services in the developing world that simplify the job search process. These services are proving to be very beneficial for people with basic literacies but who may not possess the knowledge to create a CV or access online resources.*

* World Bank, Information and Communications for Development 2012: Maximizing Mobile

Case study: SoukTel

SoukTel* designs and delivers custom mobile solutions that connect job seekers with employers, and help development implementers get information to and from the people they serve. In 2013, Forbes magazine named SoukTel “One of Ten Middle East Startups to Watch”. SoukTel’s JobMatch Program connects thousands of job-seekers in the Arab States with employers who are looking for staff through an easy-to-use SMS and mobile audio technology. Employers enter job openings into SoukTel's database. Young job seekers use their mobile phones to create and update personal profiles in SoukTel's system. When position openings match job seekers’ qualifications, they are notified via text message. SoukTel’s mobile-based job search functionality is especially useful in the Middle East and Africa where young women may not have the same freedoms to seek employment through conventional means, and men largely dominate internet cafes.

* www.souktel.org

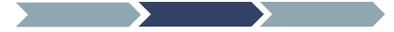
Nurturing start-ups, SMEs, MSMEs



Create more jobs / opportunities – take advantage of the expansion of the digital economy (3/3)

Initiative	Objectives	Enablers
Create ICT literacy	<ul style="list-style-type: none">▪ Basic computer skills need to be taught at the school level in a streamlined fashion. The government needs to incorporate new learning programs into schools and higher education.▪ Utilize the advances of mobile learning and resources that are available at little or no cost.▪ Ensure the decentralization of education. Training in computer skills should reach every corner of the country.	<ul style="list-style-type: none">▪ Engage private sector technology firms. These can provide both education material but also infrastructure (computers, tablets etc.).▪ The ECRC with the help of NGOs can identify schools across the country that lack the most in terms of IT infrastructure and then make the private sector help in filling these gaps.
Provide the infrastructure for digital jobs creation	<ul style="list-style-type: none">▪ Being part of the digital job marketplace requires some upfront investments in infrastructure. These could be ICT hubs / incubators, and widespread access to broadband.▪ Micro sourcing requires the appropriate technology solutions that would provide the work that needs to be carried out.	<ul style="list-style-type: none">▪ The government needs to have a review / maturity assessment of their current ICT infrastructure across the country.▪ Collaborate with private sector technology firms to develop solutions that would provide micro sourcing work.
Monitor and respond to on-going trends	<ul style="list-style-type: none">▪ The ICT is one sector that is in constant change and development. A very important aspect to be ahead of the game is to lead dialogues with industry experts, academia, NGOs and youth to monitor and respond to on-going changes in job trends.	<ul style="list-style-type: none">▪ The ECRC could lead a cross collaboration between the public sector with major technology firms, academic experts and NGOs. Yearly meetings / conferences that would update participants about the latest industry trends are needed. Most importantly a strategic plan for the next 2-5 years needs to be made and updated every year regarding technology trends.

Nurturing start-ups, SMEs, MSMEs



Training (1/2)

During the interviews it was noted that there is a significant work around fostering entrepreneurship and guiding and helping new entrepreneurs to set up their own business. A significant amount of this work is currently carried out by NGOs in Egypt. Some of the services provided to entrepreneurs are work space, help developing the business plan, access to network, help in accessing finance.

Although helping someone with a bright new idea is crucial to turn this idea into a new venture, another equally important aspect that deserves further attention and effort is what happens after the creation of a start-up; how an entrepreneur can grow and expand his business. Basic management skills and management practices can make a difference to the success of a new company. Companies adopting management practices around monitoring, targets and incentives have been found to be more profitable and more productive, to grow faster and survive longer.* It is these practices that are not usually existent in start-ups in developing countries. Therefore the focus should not only be to promote the entrepreneurial spirit, but also on how to help these entrepreneurs grow and sustain their businesses. This growth will eventually lead to further job creation.

*Bloom, N., Genakos. C., Sadun. R., Van Reenen J., 2012. "Management Practices across Firms and Countries", Academy of Management Perspectives 26, no 1: 12-33.

The importance of growth on already existing businesses can be seen by running the numbers: There are ~1.5 Million micro enterprises in Egypt with 1-4 workers. Even a small increase to the average number of employees (i.e. from 2.5 to 2.8) would create hundreds of thousands of jobs (~450,000 job opportunities).**

** Profile of M/SMEs in Egypt, March 2003, Ministry of Foreign Trade, The small and medium enterprises policy development project

Case study: Management Practices experiment in India

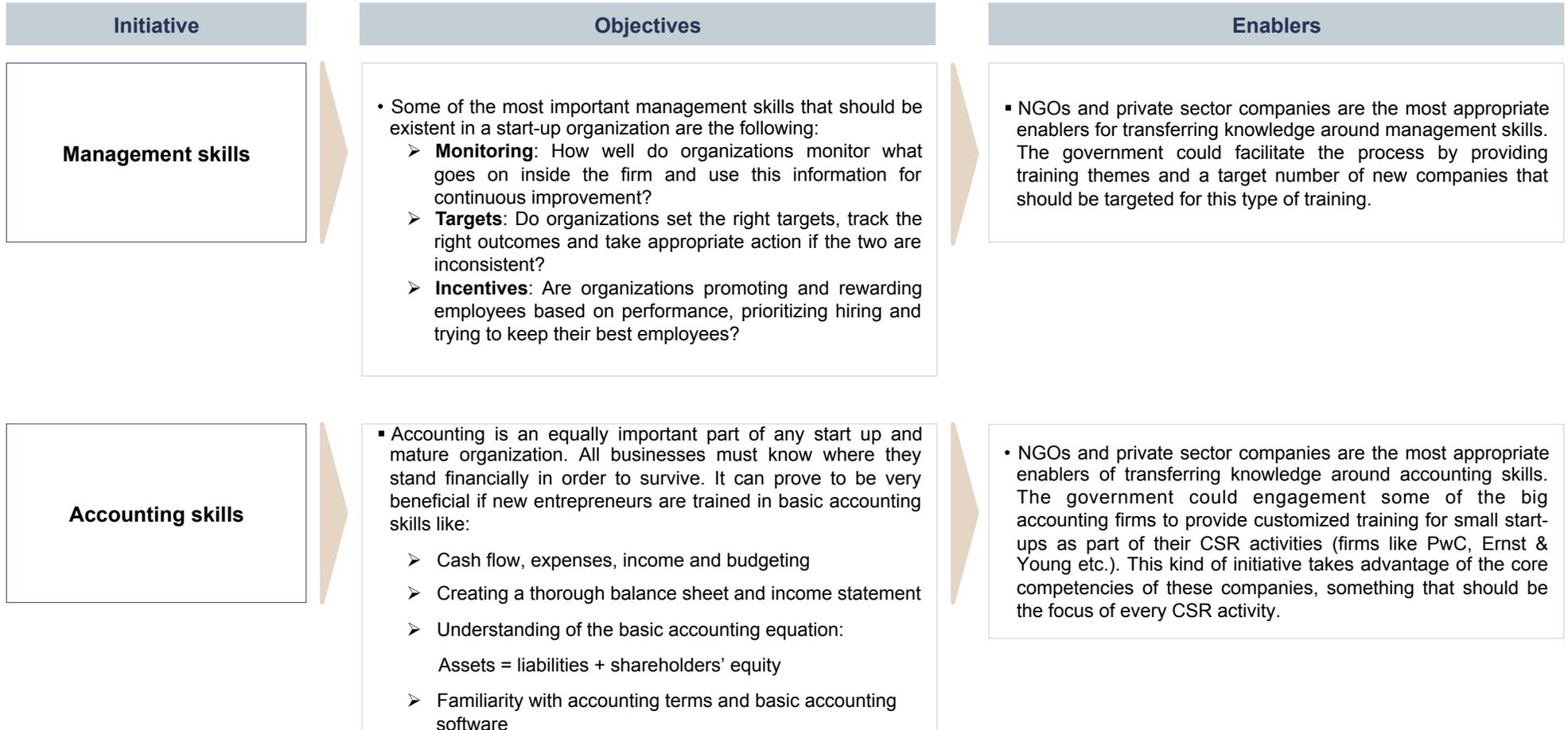
An experiment on the effect of management practices to firm performance has been carried out by a Stanford University - World Bank research team.*** They ran a management field experiment on large, multi-plant Indian textile firms of which they randomly allocated their plants to treatment and control groups. They provided free consulting on modern management practices to a randomly chosen set of treatment plants and compared their performance to the control plants. They find that adopting these management practices had three main effects. First, it raised average productivity by 11% through improved quality and efficiency and reduced inventory. This also resulted in an increase in annual profitability of about \$230,000. Second, it increased decentralization of decision-making, as better information flow enabled owners to delegate more decisions to middle managers. Third, it increased the use of computers, necessitated by the data collection and analysis involved in modern management. Therefore modern management appears to be a skilled-based activity raising the demand for educated employees.

*** Bloom, N., Eifert, B., Mahajan, A., McKenzie, D., Roberts, J., 2013. "Does Management Matter? Evidence from India". The Quarterly Journal of Economics, Vol. 128, Issue 1.

Nurturing start-ups, SMEs, MSMEs



Training (2/2)



Nurturing start-ups, SMEs, MSMEs



Modernize laws that govern entrepreneurship / Incentives / Facilitate supply chain relationships (1/5)

Revise / modernize / simplify laws & processes

It has been flagged during the interviews that some old laws may be creating problems and foster a corruption environment. These are laws that require a high level of bureaucracy and checks that need to be performed before an action is taken. The quick way to get things done would be 'paying' in that case.

Some other laws are not enforced as they should. An example that was given during our interviews is in public procurement. The law states that 5% should be start-ups, to encourage collaborations and giving more work to new companies, but what is actually happening is that on the request for proposal (RFP) documents it states that you need to have previous dealings with the government in order to apply. This is contradictory to the law and a serious obstacle for all new companies.

Another area that could be greatly improved is the simplification of some processes. An example that was given during our interviews was that a lot of documents still need to be delivered physically, which is a very inefficient process (an example was given around reporting). A transition to online submissions needs to be made. This does not have to necessarily consist of expensive IT systems, simple email submissions could be used for several types of documentation.

It is very important to get some of the policies that could be hindering development to be adjusted, especially the ones around entrepreneurship. Another example was given during our interviews regarding exit policies for entrepreneurs. These policies appear to be problematic since the interviewee still receives tax reports 5 years after she closed a new venture.

The NGO law in Egypt has been found to be highly restrictive, limiting the ability of NGOs to sustain and grow. An example is that NGOs must seek official approval of any funding, and this process typically takes several months. Many NGOs have faced serious financial difficulties due to delays of the approvals. The NGO law does not permit NGOs to establish and hold shares in either for-profit or non-for-profit companies, hindering their efforts for financial sustainability.

* The Brookings Institution, November 2012. 'Regulatory reforms necessary for an inclusive growth model in Egypt', Policy Paper 2012-05

Direction / Facilitation

Almost every interviewee pointed out that there needs to be a vision at the top that is clearly communicated. Once these clear targets are set, then a portion of that vision can be given to the private sector and have the public sector to facilitate. An example could be: reducing illiteracy in villages with a geographical focus. The corporations would then know where to focus their efforts. Another example that was given was: we need to improve the electrical power problem, we can cover 50% but we need help for the rest to cover, let's say the 25% by renewables; we invite ideas on how to tackle this. That keeps government at the top of the decision making process and empowers the private sector and NGOs as enablers of the vision.

Regarding facilitation, some interviewees expressed that more facilitation is expected from the government and especially leaner execution at the field level. The private sector / NGOs are not meaning to jeopardize oversight from the part of the government but would welcome a reduction of the bureaucracy and faster decision making. They have noticed that sometimes decisions are made from the top and agreed pretty fast, but by the time it gets to the actual person in the field carrying out the work, there are significant delays. Examples are projects that big corporations carry out that aim to cover a substantial amount of people. In that case there should be exceptional measures and easy access should be given to corporations / NGOs to do their work.

“ We need to get organized! There is excitement and will but it needs to be channeled through an organized fashion. Then it will create bigger impact” - Interviewee

Nurturing start-ups, SMEs, MSMEs



Modernize laws that govern entrepreneurship / Incentives / Facilitate supply chain relationships (2/5)

Transparency

Several interviewees mentioned that they would welcome more transparency in public sector practices. A more thorough disclosure of the government's activities and impact of the investments companies are making it necessary as currently the allocation of funds is not transparent. Transparency comes hand in hand with accountability.

Accountability

Currently the government is seen as a whole, and not as individuals with clear levels of accountability. Therefore if a project fails, the blame is on the government rather than on the individual managing it. A project based approach is needed where there is ownership and accountability that would promote care for the output.

Corporate foundations – Social enterprises

Currently corporate foundations are not mentioned under the law. The ministry of social solidarity covers NGOs, the ministry of Finance covers Corporates and Corporate Foundations are somewhere in between. Apart from the corporate foundations, the regulatory environment / legal system for establishing social enterprises needs to be created.

“ There needs to be better co-ordination because there is currently duplication of efforts” - Interviewee

LEAN Procurement

Another way that SMEs and MSMEs could be assisted would be by adopting a more LEAN procurement strategy. This could consist of creating a portal that all government projects are advertised in a streamlined fashion. That way the volume of businesses for SMEs could be more easily monitored. Furthermore, the average turnaround time between the publication of a job notice and the date of the contract award could be measured and then improved.

Rules in public procurement that would promote the participation of more MSMEs & SMEs and the involvement of women could also be applied (Mandatory award criteria into public procurement of projects: collaborations between big companies and MSMEs & SMEs, existence of a minimum amount of women workers in the proposed project team).

Incentives

Provide tax incentives that get communicated and don't stay at small prints. Establish the tax incentives around social entrepreneurship. Regarding the taxation law, it was mentioned during our interviews that the exemption is low and the ceiling does not increase no matter how much you pay. (Either you pay 10k or 100k you will get the same 10%).

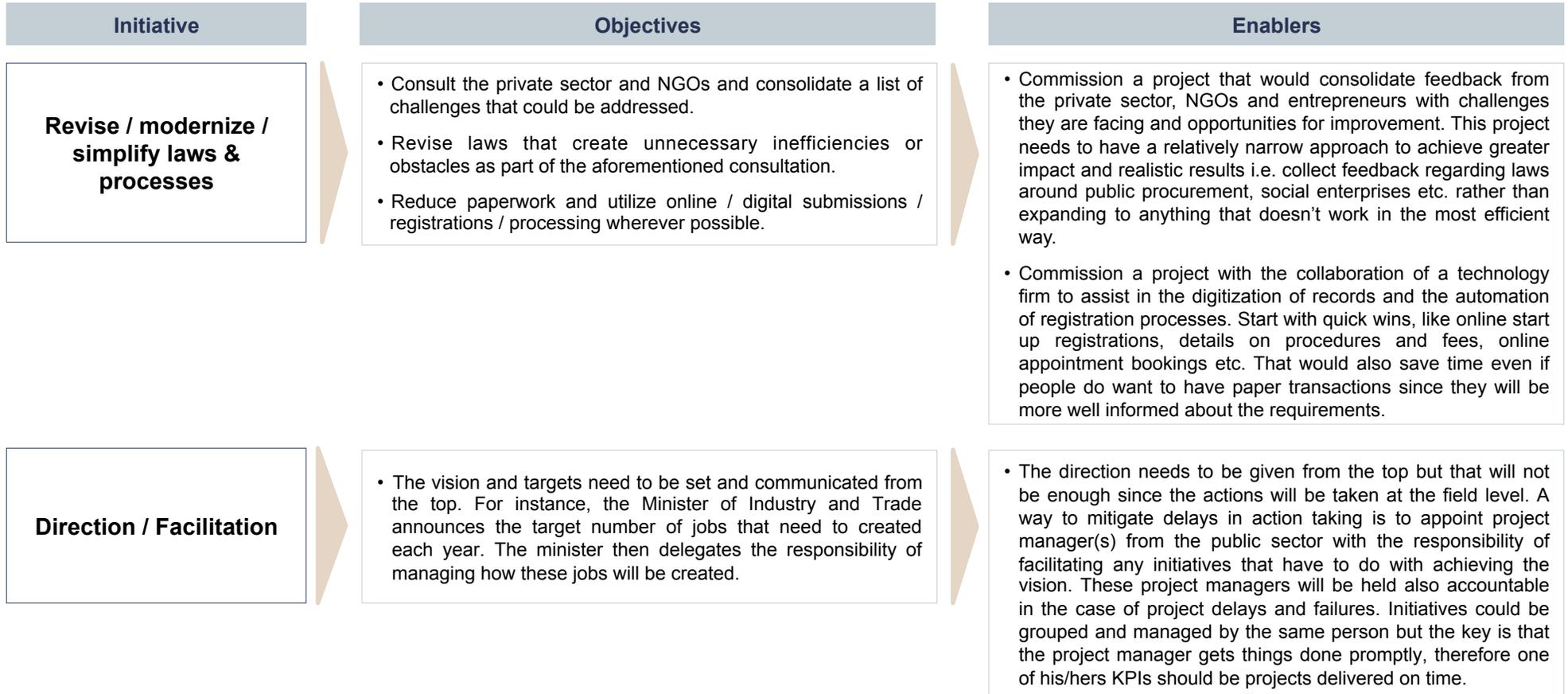
Media

The media should be treated as a major stakeholder because of the influence they can have over public trust. The media should be engaged in every major CSR activity undertaken by the government. By providing more information to the various stakeholders and most importantly the people, the public opinion regarding CSR will progressively change. Scepticism will be replaced with understanding of the value CSR can provide.

Nurturing start-ups, SMEs, MSMEs



Modernize laws that govern entrepreneurship / Incentives / Facilitate supply chain relationships (3/5)



Nurturing start-ups, SMEs, MSMEs



Modernize laws that govern entrepreneurship / Incentives / Facilitate supply chain relationships (4/5)

Initiative	Objectives	Enablers
LEAN Procurement	<ul style="list-style-type: none">• Identify areas for improvement that would reduce bureaucracy. The objective of this project should be to measure average turnaround time in procurement and aim to reduce them.• Examine the possibility of creating an online procurement portal.• Commission a project that explores the introduction of rules in public procurement that would promote the participation of more MSMEs & SMEs and the involvement of women. This project would compile case studies and information from other countries.	<ul style="list-style-type: none">• A consulting project needs to take place that would assess and map the current processes and identify areas for improvement. This is a relatively short piece of work and in the case that improvements do take place the results will be tangible and obvious within a short timeframe. This could be carried out by a consulting firm that specializes in process optimization.• A consulting firm or an NGO could perform the work to collect public procurement rules best practices.
Transparency	<ul style="list-style-type: none">• Transparency will be achieved with appropriate monitoring and reporting. The progress of every project together with the successful completion should be publicized and communicated. In the case of financial donations regarding CSR activities, the government should also provide a breakdown of where the funds will be used, the impact that will be achieved and also assign a project manager to update the institutions providing the funds with information regarding the progress.	<ul style="list-style-type: none">• The issue of transparency brings up one more time the importance of proper project management and the role of a project manager. The project managers should be frequently updating the stakeholders of every project with progress reports, project risks and at the end of each project, project outcomes.• An online procurement portal would assist in promoting transparency as it could contain information around contract sizes, successful bidders etc.

Nurturing start-ups, SMEs, MSMEs



Modernize laws that govern entrepreneurship / Incentives / Facilitate supply chain relationships (5/5)

Initiative	Objectives	Enablers
<p>Accountability</p>	<ul style="list-style-type: none"> • A project based approach should be used for every initiative around nurturing start ups and education for employment. That means that for example the ECRC would commission a project, will assign a project manager that will be in charge of bringing the appropriate people together to carry out the work. Defined roles and targets would be set and the progress to achieve these targets should be monitored. A formal project closure would ensure that the desired impact and return on investment has been achieved. 	<ul style="list-style-type: none"> • An overarching methodology that would apply for every project should be established. There are established project management techniques that could be used and leveraged. These will enhance the better monitoring and reporting. • A central 'agency' for providing project support for initiatives around job creation should be established. Given resource availability, the ECRC could support this cause.
<p>Corporate foundations / Social enterprises</p>	<ul style="list-style-type: none"> • Already existent corporate foundations and social enterprises need to be consulted before creating the appropriate legal structure. International best examples need to be collected so that the process is the most efficient and the best possible incentives behind corporate foundations and social enterprises are identified. 	<ul style="list-style-type: none"> • In order to establish the legal structure around corporate foundations and social enterprises a project needs to be commissioned with two different work streams. One will be responsible to collect data of best practices around the world and the other to engage the already existent corporate foundations / social enterprises and collect requirements and feedback.
<p>Incentives</p>	<ul style="list-style-type: none"> • Review tax incentives and ensure that they are fit for purpose. Establish tax incentives around social entrepreneurship. • Communicate tax incentives efficiently. 	<ul style="list-style-type: none"> • In the process of deciding on the best tax incentives to promote job creation, case studies of other countries and their tax systems should be collected and examined.
<p>Media</p>	<ul style="list-style-type: none"> • Engage media when decisions are made around CSR and more specifically job creation. Major projects, their targets and eventually their success stories should be communicated. • The media can also communicate various incentives (e.g. tax incentives) or new development that would otherwise stay in the small print. 	<ul style="list-style-type: none"> • Engage media in an organized fashion, by assigning qualified people to communicate key messages.

Nurturing start-ups, SMEs, MSMEs



How companies can help

The private sector can be a significant driver for a sustainable growth of the SME sector:

- Spend more money with SMEs
- Work with them to increase the success rate as suppliers
- Improve their access to capital

Case study: Supplier Connection*

Supplier Connection is an initiative to grow small businesses and create jobs in the US. It enables collaboration between small businesses and the supply chains of Fortune 500 corporations, mid-market firms and other enterprises. The supplier connection is a free, cloud-based, business-to-business community created by IBM. The Supplier Connection provides a standardized way to register information and connect with businesses, large and small, and in turn allows large companies to find registered suppliers quicker.

* <https://www.supplier-connection.net/SupplierConnection/index.html>

Case study: World Bank's InfoDev program**

infoDev is a global multi-donor program in the World Bank Group that supports growth-oriented entrepreneurs through creative and path-breaking venture enablers. It assists entrepreneurs to secure appropriate early-stage financing; convening entrepreneurs, investors, policymakers, mentors and other stakeholders for dialogue and action.

In sum, infoDev serves its clients, partners and the wider development community by:

- Experimenting and pioneering on-the-ground approaches to supporting growth-oriented entrepreneurs in developing countries.
- Influencing the global innovation and technology entrepreneurship agenda.
- Developing and implementing scalable programs specifically targeted for mobile, climate and agribusiness enterprises.
- Promoting inclusive strategies that benefit marginalized groups, women, people living in extreme poverty, minorities, youth and others.

** <http://www.infodev.org/infodev/about-infodev>

Nurturing start-ups, SMEs, MSMEs



How companies can help

One of the most important difficulties that SMEs and MSMEs face is that of access to finance and dealing with late payments. Small companies find it hard to locate the right decision maker in a complex corporate structure and to get decisions made and acted on. They also find it hard to get paid within a timeframe that makes it possible for them to avoid borrowing money (and so having to make interest payments out of any profit on the transaction). And they can only get this far if they can raise the capital they need, which is difficult because they themselves have limited collateral.

An SME would have to overcome any constraints to the nature and scale of its operations in order to become a successful supplier to big companies. That might prove particularly difficult when there are problems in accessing credit and if the big company does not make any special accommodation to its new supplier.

Regarding spending more money with SMEs although several big companies are committing to include SMEs in their supply chain, there is capacity for much more effort. For example, companies like HP UK have committed to increase the volume of business supplied by SMEs in its supply chain from 10% to 15% by the end of 2013 and to increase the number of SMEs it does business with from 600 to 750.

Case study: UK Government supply chain finance scheme

The Supply Chain Finance Scheme is a package that will provide cheaper finance for small businesses. This innovative program will allow large companies to financially support their suppliers. This scheme aims to secure 10,000 businesses with increased levels of affordable finance whilst driving job and businesses growth. The Prime Minister David Cameron met with Britain's biggest corporations and hosted a roundtable to promote the initiative and get the buy in of business leaders.

According to the scheme, large organizations will vouch for their suppliers' incomes. In return, banks will allow the small and medium businesses access to credit to improve cash flow and lower costs within the supply chain. This is because larger companies generally have strong credit ratings and excellent access to finance. This contrasts with the SME suppliers who often have relatively more expensive finance, more limited access to equity capital and generally fund their working capital via overdrafts, invoice discounting or factoring, or similar products. With Supply Chain Finance a bank is notified by a large company that an invoice has been approved for payment; the bank is then able to offer a 100% immediate advance to the supplier at lower interest rates based upon their customer's credit rating (i.e. the major UK company), knowing the invoice will be paid.

Some of the benefits of Supply Chain Finance are:

- It provides cheap funding to suppliers based on the credit quality of their customers.
- It allows suppliers to receive 100% of the invoice value, less finance fee, rather than the 70 to 90% generally offered through traditional finance products for SMEs. This can help free up money for growth, boost cash-flow or allow businesses to refinance existing debt.
- It can help supply chains to become more efficient as the overall cost of finance is reduced.
- It allows banks to provide finance to SMEs in a significantly more capital efficient manner (which will unlock capital for them to potentially provide yet more lending to SMEs).

This new mode of finance also benefits larger companies. By ensuring their suppliers' cash flow is more predictable and reducing working capital concerns, they minimize supply chain risk.

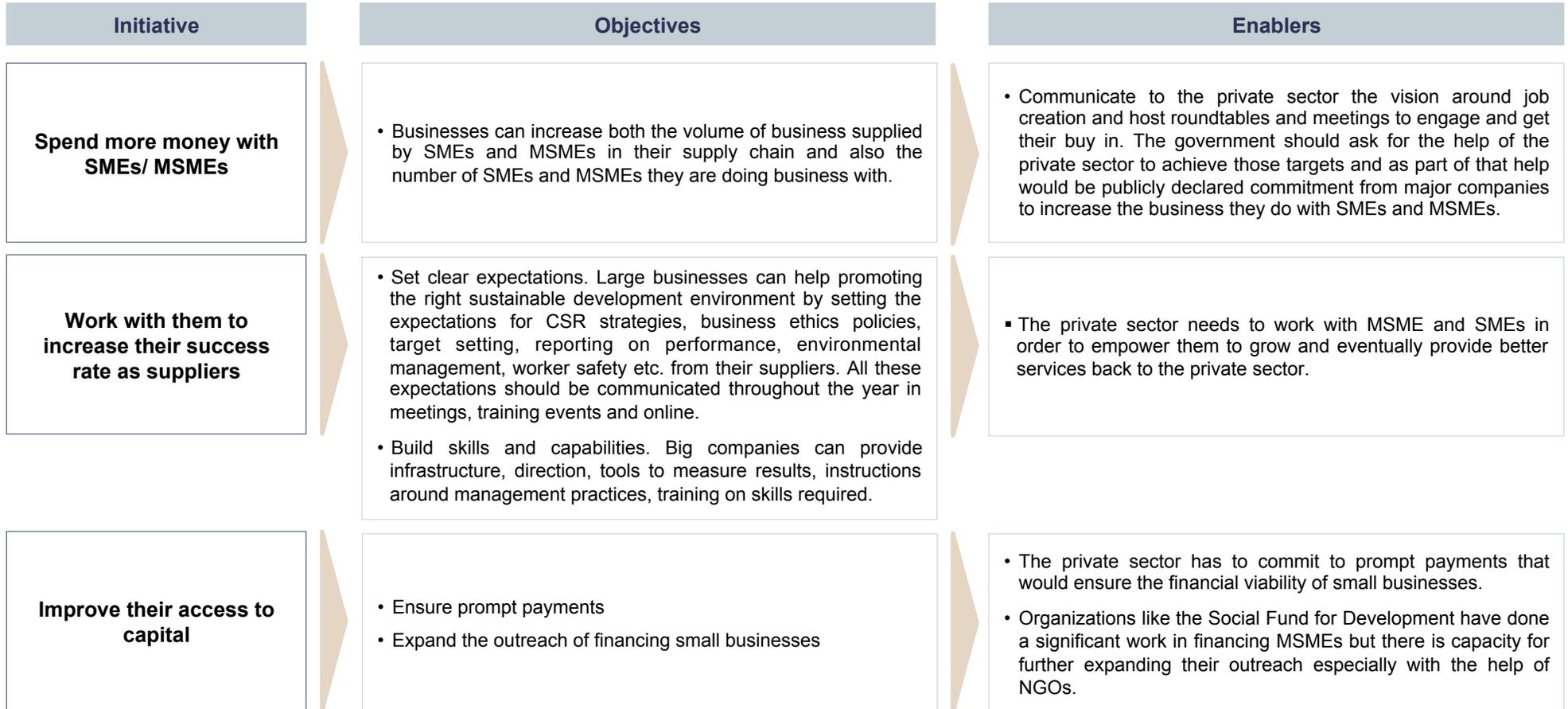
BAE systems, Boeing, BP, IBM, O2, British Airways, Tata Steel, Diageo, Tesco, Jaguar, Land Rover and Home Retail Group are among the companies that have signed up to the initiative.

<https://www.gov.uk/government/news/prime-minister-announces-supply-chain-finance-scheme>

Nurturing start-ups, SMEs, MSMEs



How companies can help



Education for employment

Introduction – the challenge of creating an education for employment

The rise of a global labor market and technological advances have changed the structure of the employment market around the world. The market landscape is changing with jobs shifting from the developed world to the developing. At the same time different kinds of jobs, requiring a more advanced skillset, deep industry knowledge and critical thinking have been created. In many countries there is a mismatch between the educational model and the needs of the job market. The focus by governments, schools and parents has been on obtaining a university education for all. At the same time vocational education has been de-emphasized.

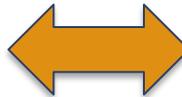
During the interviews, a lot of interviewees from the private sector brought up the issue of a mismatch between having graduates and having graduates ready for the business environment. The higher education in Egypt is disconnected from the job market and as a result a great number of graduates are not ready to secure a job. The Technical and Vocational Education and Training system (TVET) is supply rather than market driven, with a lack of clear standards for curriculum development, relatively outdated equipment that is misaligned with technological advancements and considered to have the label of a poor alternative for those who did not succeed to get general education.

Finally, given that the informal economy currently represents the main source of employment for new job market entrants, the challenge is not only to create new jobs but to create better jobs. Government and public sector jobs are still more attractive than work in the private sector for a large percentage of young graduates.

The two sides of the education problem: throughout the educational system and the job search upon graduation

Ex ante

Provide parents and prospective employees with enough information about the market conditions so that they can identify the right profession for them.



Ex post

Employers need to work more closely with education providers to develop curricula and communicate better their expectations and skills shortages. Education providers need to align their incentives with students, helping them in the transition from all levels of education to the job market .

Education for employment

Project examples (1/5)

Strategies aiming to improve the education for employment need to tackle both parts of the problem, provide the information needed regarding the job market so that the right career path decisions can be made and aligning the education and skills training to the prospective career opportunities to facilitate that transition. Some initiatives that could address these challenges are: a review of the university curriculum, school visits to work places, establishing career offices in universities, setting up career fairs, widely adoption of apprenticeships etc.

University curriculum

A review and modernization of the university curriculum seems that is something that needs to be considered in the future by the Egyptian government. This would be a project that would require a significant time and resource investment together with genuine commitment for change.

Technical and Vocational Education and Training (TVET)

The TVET system in Egypt has proven to be supply-driven rather than driven by market demands, public funded with insufficient annual budgets, lacking clear standards for curriculum development and training delivery, lacking practical 'hands on' training, using outdated curricula and experiencing shortages of modern and advanced specializations.

Career fairs

A career fair is a great opportunity to bring together employers, recruiters, universities and technical schools and prospective job seekers. The typical setup of a career fair includes a space where companies use tables or 'booths' as advertising of the company, with a couple of their employees available to answer any questions to the prospective job seekers. Although these career fairs are not a platform for interviews or direct recruitment, they are very useful for entry level applicants to interact with people from the real job market (people that not everyone would have access to otherwise), get more insights on the actual day-to-day job, meet representatives from different companies from various industries in a short period of time etc.

Apprenticeships

An apprenticeship is training on a skillset necessary for various career paths. The apprenticeship is suited to people who do not want to go into full time higher education but still want to gain extra qualifications that are work related. Apprenticeships give the advantage of combining practical training in a job with study together with the ability to earn while you learn. Apprentices usually spend three to four days a week at a company where they acquire the practical skills required and the remaining one or two days are spent at a vocational school.

Case Study: Rolls Royce

Rolls Royce has an established apprenticeship and graduate development program. They have trained apprentices for over 100 years. The Rolls Royce Apprenticeship Academy has a 98% retention rate and 90% of apprentices go on to get further qualifications – half of these are to degree level. Rolls Royce has also an extensive graduate development program that covers multiple areas of business: engineering, commercial, customer management, finance, human resources, manufacturing engineering, operations management, project management, purchasing and planning and control. There are nearly 1400 graduate trainees and apprentices working at Rolls-Royce. Today, over 40% of Rolls-Royce's senior UK managers began their careers at the company as graduate trainees or apprentices.

Insight days and open days (This initiative can be applied to both universities and companies)

These days can help students to get a feel of the university or company before they apply. This will help students make insightful decisions about their career progression and will help them to network and make connections with current employees. Companies like law firms, investment banks and consulting firms offer this scheme already i.e. PwC, JP Morgan and Clifford Chance Law firm.

Education for employment

Project examples (2/5)

University programs / Summer schools / School visits

University programs, summer schools and school visits are programs designed to educate the future generation about higher education. The sooner they start thinking about their future, the more serious they will be about their career moves and higher education. Some school visits to universities can start from a very young age (e.g. 11 years old).



Case Study: Imperial College London STEM (Science Technology Engineering Math) Program

Imperial university allows 16 year olds the opportunity to spend a week at the University to learn about science, technology engineering and mathematics. It is hoped that this residential summer school experience will help influence students choice of degree and will help them enter these industries which are vital for economic growth but yet aren't very popular. Other course aims are to give students the chance to mix with peers from across the world, and to provide practical STEM investigations in a world class university environment.

Case Study: London School of Economics Choice Program

LSE Choice is an enrichment programme aimed at identifying the most talented young people from London state schools and colleges and giving them the tools they need to successfully apply to LSE and other competitive universities. LSE Choice aims to recruit up to 180 pupils per year from London state schools with preference given to those performing below the national average/with free school meals at 35% or above. The programme is meant to encourage low income bright students to attend university.

Student run Societies

Students can make up their own societies such as 'women in Finance' , 'Law society' etc. where they use their careers department at University to connect with future employers. They can invite members to attend meetings who can feedback to them useful tips that will enhance their career progression and decisions.

School leaver programmes

Companies can offer school leavers the opportunity to enter employment straight away rather than go to University. This will help school leavers who have more practical rather than academic ability to gain first hand experience of a job in their chosen industry. Many companies already run this initiative e.g. Deloitte 'Bright start programme'.

Gap year programmes

Many students don't know what their ambitions and career plans are after they finish high school. A gap year programme allows students to take a year out before university to work in their chosen industry. This year long programme allows students to make connections and gain insight into their chosen field before graduating. An example is the Deloitte's "scholar programme".

Education for employment

Project examples (3/5)

Competitions

Companies can create competitions for students where the prize is a certain amount of money or a work experience opportunity etc. This will help recruiters to spot talented students before they graduate and will allow students to understand business scenarios better, whilst giving them a chance to excel in the growing pool of graduates. An example of this is the International Law Firm Clifford Chance 'Intelligence Aid competition'.

Case Study: Clifford Chance 'Intelligence Aid Competition'

Clifford Chance is an international law firm and one of the ten largest law firms in the world measured by both number of lawyers and revenue. The intelligent aid competition is an opportunity for students to start their career in commercial law. The basis of the competition is that the firm asks students to answer a topical question in 500 words. The objective is demonstrating intelligence and the ability to structure convincing arguments. Topics can vary (this year's topic is Growth Economies). The top 20 entrants of the competition win a place on Clifford Chance's vacation scheme – bypassing the standard application process. One overall winner receives £5,000 towards their university fees.

Women workshops

Companies can help attract women to enter employment by offering the opportunity to attend insight days and gain work experience for a short period of time. This will help to encourage more women to see the benefits of working and taking leadership roles.

Case study PricewaterhouseCoopers - Shadow a female leader

PwC launched the Shadow, a female leader program, in 2012 and recruited 27 women into the business. In 2013 they had 67 people join the programme, this included students from 15 different universities who joined for a week's work shadowing across 12 of the offices around the UK. The programme is aimed at women and open to all year groups. By attending a student gets the opportunity to experience a professional services organisation through the eyes of some of the most successful female leaders.

Online branding (LinkedIn, Facebook and twitter)

Online branding is a simple way for graduate recruiters to spot talent amongst students. Students can enhance their opportunities by advertising their achievements and ambitions via the internet. This will allow them to be one step closer to finding a job or making a connection with someone within the industry they wish to enter.

Students can also follow and tweet back to graduate recruiters if they add them as a connection to their Facebook and twitter pages. This is a clever way for companies to reach out to young people and an easy way for students to be kept in the loop about what's happening in their chosen industry.

In Egypt there is a high uptake of mobile internet and social media that could be utilized to promote job searching. The latest trends show that LinkedIn, disrupting the corporate recruiting market, will be one of the major recruiting tools in the future.*

* <http://www.forbes.com/sites/joshbersin/2012/02/12/linkedin-is-disrupting-the-corporate-recruiting-market/>

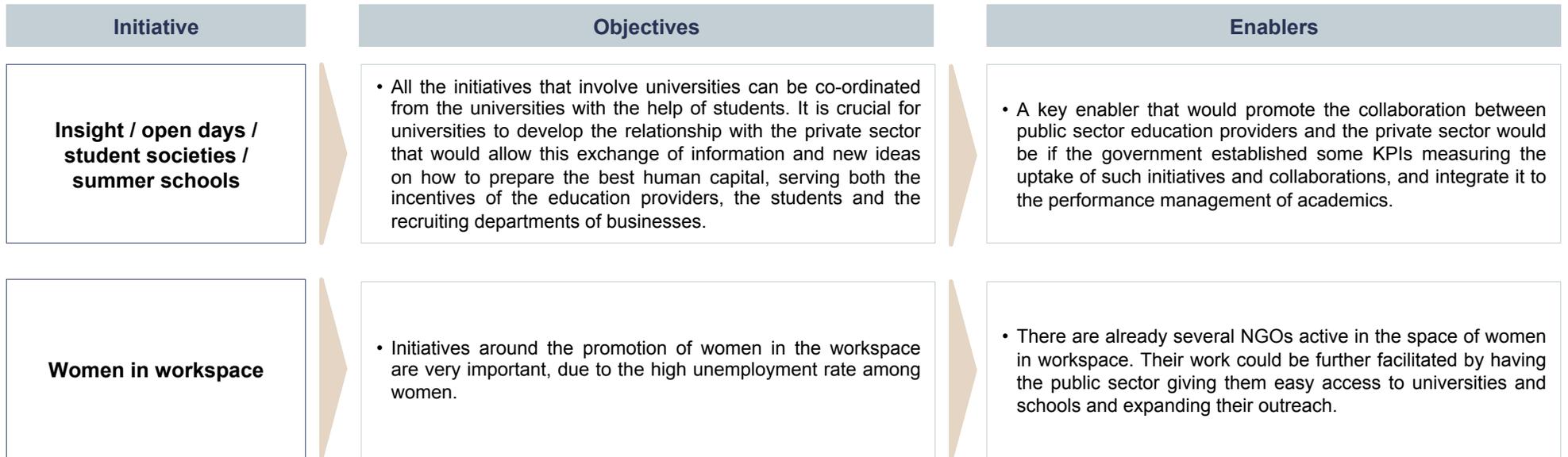
Education for employment

Project examples (4/5)

Initiative	Objectives	Enablers
Revise university curriculum	<ul style="list-style-type: none">• Modernize university curriculum.• Engage the public sector to become a more active participant in university affairs.• Set clear targets for academics that would align their incentives with students. Egypt needs universities that compete in the worldwide rankings. Metrics around student employability should be included and reported each year.	<ul style="list-style-type: none">• The government should be the main driver behind any initiatives around education since most of the universities are public. Targets need to be set around student employability upon graduation but also around academic performance (e.g. number of papers that need to be published in international journals, according to worldwide standards).• The private sector should be heavily involved and consulted. The government needs to promote the concept of internships during the student's academic life. This could take the form of a last year project/report that students need to complete in collaboration with companies from the industry wherever that is applicable.
Establish university career fairs	<ul style="list-style-type: none">• Career fairs should take place in every university across the country at least twice a year.• A wide range of participants should be invited to give students a view of the current market environment.	<ul style="list-style-type: none">• Education providers with the help of the government would have to simply provide the space and manage the 'day' of the career fair. The recruitment of one project manager that would co-ordinate the career fairs throughout the country all year long should be more than enough.• Private sector companies would be engaged to attend such an event. A great advantage is the relatively low cost of such an initiative (typically each company would have to send 2-3 employees for one day).
Establish school visits to industry	<ul style="list-style-type: none">• School visits can help change perceptions early on in the life of prospective candidates.	<ul style="list-style-type: none">• Engage private sector companies that can host such school visits. Encourage parents to attend if that is possible.

Education for employment

Project examples (5/5)



Education for employment

The challenge of reforming Technical & Vocational Education & Training (TVET) Systems (1/2)

A properly structured TVET system can be a great stimulant to job creation, providing a good alternative path for people who do not want to go into higher education. Countries like Germany, Japan and China are reaping the benefits of such a system. Unfortunately, in many other countries, TVET has the label of a dead end for those who did not succeed to get general education rather than a career path taken by choice. Therefore, in order to reform a TVET system, the first thing that needs to be done is to change the perception of parents and students around it and then make sure that skilled graduates from TVET get absorbed in the job market.

For the first part of this challenge, changing perceptions would come by changing the debate from academic vs. vocational to the opportunities of professions as a whole. Once the perceptions that college is necessary to get a job with a good salary, and that skill-oriented jobs lack long-term prospects are proven to be inaccurate, people would be much more open to alternative career paths. The second part, ensuring that TVET provides highly skilled graduates that will have job opportunities requires a high quality TVET system. For TVET to become a viable option a set of incentives must be in place. Upgraded curricula and equipment, cost-sharing for training and tax incentives to employers, job openings, introduction of proper certification based on recognized and preferably internationally-based standards of performance. In order to achieve a high quality TVET system, employers need to be actively involved. There needs to be a close linkage between TVET providers and employers in shaping the curriculum content, defining the equipment needed, training the trainers etc.



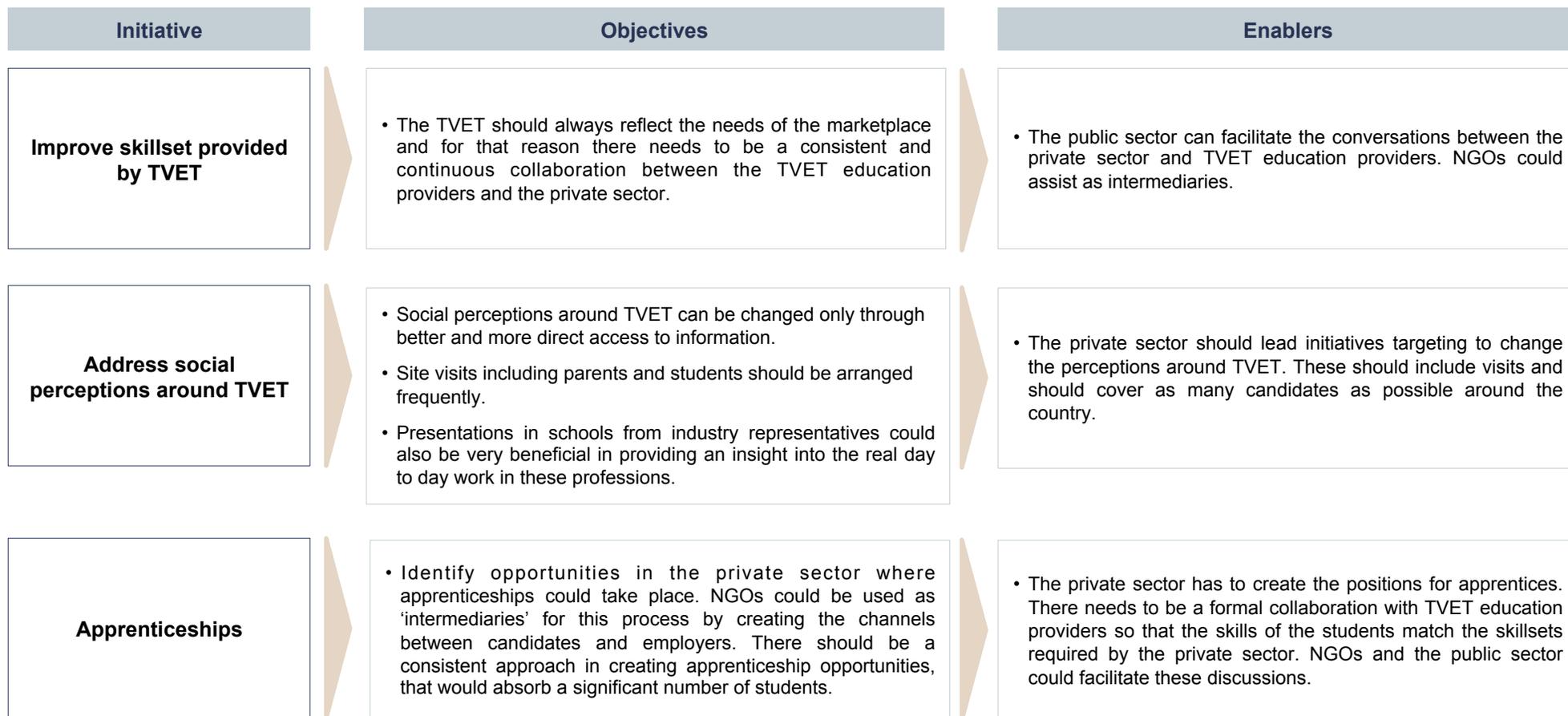
Case Study: Siemens

In 2011, Siemens opened a cutting-edge gas-turbine facility in North Carolina. It soon realized it needed workers with higher levels of skill and precision. When Siemens began to try to recruit young people, though, it found that the idea of working in a factory (even a world-class one) was not particularly popular, especially with the parents. The company addressed this problem by backtracking to the first intersection. It invited high-school students to tour the plant with their parents to get a firsthand impression. “Parents who used to say ‘absolutely not’ change their minds completely when they saw the facilities”, notes a Siemens manager. “You see robots and lasers and computers, and realize it is advanced, modern-day manufacturing, which completely changes perceptions.”*

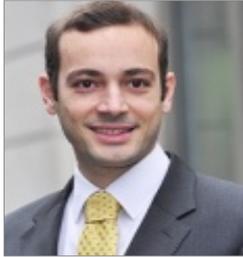
* McKinsey, 2012. “Education to employment: designing a system that works”.

Education for employment

The challenge of reforming Technical & Vocational Education & Training (TVET) Systems (2/2)



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