When CSR Worlds integrate

-Shifting the paradigm to achieve private sector growth building African internal markets*

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Introduction

Embedding Corporate Social Responsibility (CSR) in business can have a profound impact on private sector growth in developing countries and achievement of national development objectives, including Millennium Development Goals (MDGs). First, however, one needs to understand the various guises under which companies demonstrate their CSR credentials and how global businesses demonstrate their CSR agenda in developing countries. Indeed, there can be as many perspectives of CSR as there are sectors and stakeholders.

Observers of early debates on CSR could be forgiven for thinking that CSR was just about businesses returning some of their profits to society (philanthropy) or running public relations campaigns on their performance as corporate citizens. Fortunately, in recent years, discussions about CSR have changed in respect of issues raised in developing countries and the trickle of views from developing countries. Alongside the issues discussed has been greater emphasis on CSR reporting by businesses. Such reports can be separate documents (internally or externally compiled), as part of Annual Reports on company accounts or, more recently, as updates by a small proportion of businesses that are signatories to the United Nations Global Compact[1].

In developing countries, including many in Africa, CSR is primarily at the level of philanthropy. Often, concerns of the wider public are on how large businesses give back to the communities from which they derive their profits. Interest by and on behalf of these communities is not as shareholders but as stakeholders who are guardians of resources from which businesses derive their profits and, to a lesser extent, as employees or small suppliers. Missing from this debate, however, is the perspective of policy makers in developing countries. Policy makers have the opportunity and authority to create policies supportive of Best Practice in corporate social responsibility, can increase the impact of business on national development objectives/goals and enhance sustainable livelihoods in local communities.

Glimpses of the world of CSR in developed and developing countries

Increasingly, global companies in developed countries have made the business case for CSR, and in some cases have embraced it as part of their inclusive approach to business (World Business Council on Sustainable Development, 2006[2]). CSR provides global businesses with competitive business advantage, raises brand awareness and allows companies to move from the traditional single bottom

[1]**UN Global Compact**. 2009. *Overview of the UN Global Compact*. http://www.unglobalcompact.org (Feb 2009).

[2]**WBCSD.** 2006. From Challenge to Opportunity: The role of business in tomorrow's society. Online: http://www.wbcsd.org/plugins/DocSearch/details.asp?type=DocDet&ObjectId=MTgyMTM

line approach of profits only, sometimes at any cost. The Triple Bottom Line approach first advocated by John Elkington[3] and taken from an accounting perspective identified business as having economic, social and environmental dimensions. For some, the suggestion of a role for business in development seems misguided, as they retain the view that the business of business is business, i.e., making profits on investments, and issues of development are the responsibility of government.

A few examples from agriculture, mining and health are highlighted to show how businesses can have a direct impact on development in African countries, and by extension internal markets.

In Uganda, a multi-national brewery through its local subsidiary contributed to agricultural development through engagement with hundreds of local small farmers to cultivate sorghum as a local input for the brewery, instead of the traditionally imported raw materials[4]. Incentives from the Government of Uganda for the remission of excise taxes strengthened the business case to use local crops by the brewery. Similar partnerships had been established by the company with farmers in Zambia and Zimbabwe. From the business perspective, the company was able to source raw materials locally, expanded its supply chain, created good will and jobs in local farming communities and contributed directly to at least two MDGs, MDG 1(reducing extreme poverty and hunger) and MDG 8 (develop a global partnership for development).

In the mining sector in Botswana, possibly because of government as a shareholder, there has been a formal strategy for investing in local communities and national economic investment. **Corporate Social Investment** is the term under which various CSR type initiates are placed. In period before the global financial crisis in 2008, this was demonstrated through support for education (primary, secondary, environment), small business development and business skills training and initiatives in support of health, arts, culture and sports. This strategy, however, does have a strong philanthropic element despite the inclusion of longer-term capacity building and technology adaptation in some projects.

The third example of the impact of business on development is taken from the health sector in several African countries and highlights that much can be achieved when corporations take an active role in tackling social challenges that can affect their bottom line and threaten business survival. The Global Fund for AIDS established in 2002[5] resulted from collaboration among mining companies operating in communities where high mortality and morbidity among local people threatened the investments. In its present form, the initiative driven initially by businesses and supported by the United Nations has forged a partnership of government, civil society, the private sector and affected communities and has since expanded to include other chronic diseases such as tuberculosis and malaria.

Raising awareness of CSR and promoting engagement of policy makers, businesses and communities
Of necessity, therefore, discussions on CSR in developing countries and economies in transition cannot seek to follow the path evolved in developed countries. Instead of leaving it to investors and members

[3] **John Elkington**. 1999. Cannibals with Forks –the Triple Bottom Line of 21st century business. Pub: Capstone Publishing Ltd. ISBN 1-84112-084-7. (First published 1997).

[4] **Attwood, Karen**. 2007. SABMiller brews up a partnership with African farmers. The Independent. Friday, 2nd March 2007. **http://www.independent.co.uk/news/business/news/sabmiller-brews-up-a-partnership-with-african-farmers-438533.html**

[5] **The Global Fund**. 2010. Global Fund to fight AIDS, tuberculosis and malaria. Retrieved on 12 Feb 2010 from http://www.theglobalfund.org/

of the public concerned with ethical, social and/or environmental issues to drive discussions on CSR, there is a clear role for policy makers in developing countries to support the CSR agenda. Such support can be through creation of investment policies that result in even greater positive impacts of CSR strategies of multinational companies on national development objectives, including targets under the Millennium Development Goals. It is in this context that opportunities abound for the worlds of CSR to merge in support of CSR, support that can enhance private sector growth and development in Africa.

CSR in a global context contributing to the building of African internal market

In order to stimulate and grow internal markets, policy makers in African countries require a new framework for negotiation in investments, with both local and from Foreign Direct Investors. In order to be effective, however, policy makers need to increase their understanding of the various perspectives of CSR, beyond philanthropy. This will enable them to identify and prioritise national development objectives to which businesses can have a direct impact and develop a framework/strategy to strengthen negotiations and expand the way in which investment incentives can be linked with specific national development goals and priorities. For this to take place in environments of transparency and accountability, there is a need also for businesses, governments and representatives of civil society to engage in discussions on how best to reward Beyond Best Practice by businesses. Such practices can increase diversification of the supply chain by large businesses, promote low carbon initiatives, reduce poverty, improve the capacity of local people, strengthen enterprises, empower communities (geographic, disadvantaged, etc) to create sustainable livelihoods, strengthen the private sector and grow internal markets in African countries.

Potential actions of policy makers to catalyse positive impact of CSR

In support of creating the paradigm shift in discussion on CSR in developing countries, it is necessary to strengthen the capacity and awareness of the various perspectives of CSR among policy makers. This will increase their understanding of policy makers on how CSR policies/strategies of investors can be linked with national development objectives, including the MDGs. Additional actions that could be explored include:

- ❖ Promotion of greater engagement among policy makers, private sector businesses and communities (interests, needs, geography). One way of doing this is through the holding of national conferences on the 'State of CSR and private sector growth'. Such events, held annually or biennially, can provide a forum businesses to share Best Practice, acknowledge challenges and evolve solutions to promote private sector growth. In addition, participation of policy makers and local communities in such forums will facilitate sharing of perspectives and updates on how businesses have contributed directly to realising developmental objectives/goals and could result in more informed policy making on investment.

- ❖ Identification of specific areas in which businesses can contribute to development and tailoring incentives to reflect this. For example, promoting higher levels of capital investment in technology and infrastructure can increase the use of alternative energy sources such as solar energy and hydro power.

- ❖ Supporting innovation and capacity building through use and/or development of new and appropriate technologies. For example, Botswana proposed incentives for investors demonstrating use of 20% renewable energy, 40% local suppliers and/or have 50% local management in operations.

- Leveraging investment incentives with employment and quality of infrastructure. This could include incentives for businesses setting up in areas of high unemployment and poor/no physical infrastructure. Investments in tourism, mining and other extractive industries are likely to be most suitable.

- Provide encouragement of businesses to diversify supply/value chains and increase access to procurement opportunities by local businesses. This will increase jobs, build capacity entrepreneurial and managerial capacity beyond poorly-paid, low skills jobs.

The CSR activities of businesses, therefore, can have direct impacts on achieving national development objectives in many countries. For some, however, the balance in the respective roles of governments and private investors can be highly sensitive. Opportunities for businesses to be given incentives for Beyond Best Practice should not be viewed as governments using CSR strategies as a way of abdicating responsibility to provide basic facilities to citizens. Neither should it be viewed as being subject to the fluid CSR strategies and/or action plans of private investors.

These actions can result not only in strengthening the private sector and internal markets but in the creation of opportunities to reduce extreme poverty and hunger, increase enterprise and job creation, ensure environmental sustainability and in the process strengthen engagement among governments, businesses and communities in support of national development objectives and improved livelihoods of citizens.

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