

Corporate Social Responsibility and poverty reduction:

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I would like to start my presentation with a conversation the celebrated British anthropologist Verrier Elwin had with a Gond tribal member of a village in central India way back in 1936. Elwin asked the Gond tribal what is his notion of heaven. The old and fragile Gond replied: Well, miles and miles of forest without any forest guards. Elwin was amused and he asked him again. Ok, what is your notion of hell. The Gond replied: miles and miles of forest without any mahua tree. Mahua is a tree used traditionally by the Gond tribals to extract and locally make liquor. The conversation gives us few major points to ponder. One, like the Gond tribal member there are millions of people in India whose life depends directly on the natural resources. Second, if anything happens that takes his resources away, for example the mahua tree, his life becomes hell. Such is the relationship between people and natural resources in majority of India. This relationship is very raw and very intricate. The third and major point that comes out of the conversation is the fact that natural resources in India has been traditionally managed by the communities much more than the forest department which came into existence only after India got its independence 58 years back. Not only the communities have managed their resources beautifully but have made these resources richer over the years. So if the global activities of last two or three decades hit on the people who are already marginalised and dependent on natural resources for survival, then these activities are actually opening up the gates of hell for the indigenous people.

Now look at what is happening in the last two or three decades in India. With globalisation and opening up of the economy, people living in absolute poverty have been exposed to competition on a much higher level. And mind you this competition asks for survival of the fittest. Considering this how are these people going to negotiate the change in survival equation brought in by outside forces without even taking their consent.

There are two ways. Either you design your business which is inclusive in nature. That means you pay the people or community for sharing their resources for which you have to appreciate that the resources belong to communities. Or you become a part of government design and fulfil your responsibility by just paying taxes and invite conflicts at local level which is also as just as you paying the taxes. Choosing the first option in a country like India also make business sense because inclusive nature of business adds on to the companies credibility among the middle class which is obviously your target audience. You also enjoy favourable remarks in local media which also increasingly caters to the great Indian middle class. So effectively it serves you both the purposes. Of doing good business and inflate your audience base.

Now the next big question. What should be the nature of compensation to the communities? Cash compensations don't make any sense because most of the people you are displacing by taking over their resources are landless. Therefore the people who are getting the compensation do not even work on the land, leave aside manage it in a sustainable manner. That means the poor and marginalised will lose opportunity to earn and consequently to survive as soon as there are trans-national companies there to share their resources. Therefore the need of the hour is not to be philanthropic in your CSR policies but your CSR policies should be inclusive in nature. You have to make the local communities partners in your quest for development and business. This is a positive business model which outweighs volunteer nature of CSR.

But I understand that the question still remains why should companies whose major objective has been to maximize profits for the benefit of their shareholders worry at all about serving the interest of society at large? The answer is simple and yet somewhat circular in nature. A business cannot succeed in a society which fails. This, therefore, clearly establishes the stake of a business organization in the good health and well being of a society of which it is a part. More importantly, in this age of widespread communication and growing emphasis on transparency, customers of any product or service are unlikely to feel satisfied in buying from a company that is seen to violate the expectations of ethical and socially responsible behaviour. We find, therefore, that to a growing degree companies that pay genuine attention to the principles of socially responsible behaviour are also favoured by the public and preferred for their goods and services. The current concept of CSR covers a range of issues that could perhaps be covered under and be linked to the fabric of sustainable development. Protection of the environment and a country's natural resources would

certainly be a paramount element of this concept of sustainable development. But what would be equally important is the need to ensure that society does not suffer from disparities of income and provision of basic services like health care, education and literacy. To carry this list further, it could be argued that the United Nations' Millennium Development Goals (MDGs) and the WEHAB (Water, Energy, Health, Agriculture, and Biodiversity) agenda of the UN Secretary General are key essentials for bringing about a solution to the very basic problems facing society. Consequently, if corporate actions are to target the most fundamental problems facing a poor country like India, then the components of the MDGs, including water and sanitation, prevention of eradicable diseases and the items included in the WEHAB agenda in some sense become guideposts for corporate social strategy and action.

It is often asked why a company should worry about anything other than the bottom line measured purely in financial terms. One response is of course to say what has been stated above, namely the cliché that business cannot succeed in a society that fails. Hence, in an indirect but powerful way the success of business even in narrow financial terms depends on the success of society as a whole. The progress and welfare of society is not merely the responsibility of governments alone. In an effective sense it involves appropriate actions by all stakeholders, of which the corporate sector is extremely important. Hence, actions to address some of these basic challenges also become important for leaders of business and industry. We have several bodies now emerging on the Indian scene that focus on issues of CSR. CoRE-BCSD India is a unique grouping of corporate organizations that, for instance, are trying collectively and individually to build in sustainable development concepts in their operations. CoRE-BCSD India includes some of the most innovative, some of the largest and also the most forward looking organizations in the country. The objectives of sustainable development rest within the principles of corporate social responsibility (CSR), because unless the needs of society, both present and future, are served, sustainable development would remain only a myth. And the most significant step in pursuing CSR is to proactively protect the environment. Publications are also being brought out extensively on case studies dealing with corporate environmental excellence. The range of operations and subjects covered in recent publications is vast and diverse. They can set an example of corporate social responsibility, which other units throughout the country can follow by emulating them. The material presented in recent publications rises to a level of practicality generally unseen in textbooks on the subject. There is no doubt that the inspiration provided by the record of successful environmental responsibility would be much more compelling than any advocacy on the basis of ethical or moral principles or for that matter even on the basis of legal or regulatory requirements.

It would also be found from a perusal of such case studies that while improving the environment, the corporate whose experience has been documented have also served their business interests and actually made money from their actions. Perhaps this is an important conclusion for other corporate organizations to keep in mind and for those involved in advocacy for responsible corporate behaviour to use as an argument in favour of enlightened and responsible corporate decisions. Let us turn to the international scene as it has emerged in recent years. One major feature of the World Summit on Sustainable Development (WSSD) held in Johannesburg in September 2002 was the large presence of CEOs of corporate organizations from all over the world. In fact, it was striking that there were more leaders of business and industry present in Johannesburg than leaders of government. From the preparations prior to and discussions that took place in the WSSD emerged a new form of partnership defined by Type 2 initiatives and projects. These were distinct from typical government and NGO dominated development activities, in that they involved various coalitions of businesses, governments, multilateral organizations, NGOs, research and academia coming together to work on projects and activities that promote sustainable development by engaging some component of society at large. It must, however, be stated that the intent and resolve exhibited in Johannesburg has not been matched by actions that have taken place subsequently. But both before and after Johannesburg there has been a growing interest on the part of most business organizations of repute defining clear-cut CSR policies. Some of these have in fact been quite radical and ambitious. An example can be seen from the recent statements and writings of Lord John Browne, CEO of BP, where a company that has built its entire business around provision and use of hydrocarbons has actually issued a call for reducing emissions of carbon dioxide and greenhouse gases for stabilizing the world's climate system. Many would see this as totally opposed to the business interests of BP. But in actual fact BP has read the writing on the wall and has identified its future as an era beyond petroleum as the company's advertisements proclaimed loudly a few years ago. This, therefore, is an example of a company altering its long-term business plans to suit what it anticipates society would want in the future. This example, therefore, highlights the fact that corporate social behaviour could also be good business. If society is going to demand a particular set of products in the future, driven essentially by what it would want, then a company can alter its business plans in a matching

direction. Expenditure, therefore, on projects related to CSR, if properly designed, can actually help the business of a company positively in a financial sense. It is estimated that by the year 2020 advertising expenditure of various kinds round the world would total about \$ 2 trillion annually. The figure currently is about one-quarter of this estimate. This means that companies are spending substantial amounts in advertising to promote their business interests. Expenditures on CSR could be far more effective even in a business sense, and yet to go far beyond the purpose of advertising by receiving the trust of society if these expenditures meet the very basic needs of society in general. Hence, such actions would clearly subscribe to Gandhiji's wish of trusteeship requiring a new ethical code in the actions of the owners of business. But even more importantly, CSR though driven by other considerations can actually help business in strictly financial terms as well.

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Danish Church Aid Conference on
Corporate Social Responsibility, Poverty and Hunger – 23 February 2006

Short summary of introductory remarks by Sven Riskær, IFU

During the 10-15 minutes time allocated for my introduction to the panel discussion, I will touch upon three main themes: A presentation of IFU and its Corporate Social Responsibility Policy, summary remarks regarding poverty in global perspective and finally, some suggestions and observations regarding CSR and philanthropy (company-NGO cooperation).

IFU's legal mandate is to promote investments by Danish companies in developing countries and the main impact on poverty alleviation is through generation of economic growth and of employment – direct and indirect. IFU's CSR Policy, which was updated on January 1, 2006, builds on international conventions regarding human rights, environmental requirements, occupational health and safety, anti-corruption and good corporate governance. Most of these standards are already entrenched in the legislation of host countries and IFU, in an active cooperation with its partners, strives to implement the standards or in critical areas of special significance even reach Danish or World Bank standards when this is required or possible.

Poverty alleviation or eradication is one of the most important challenges in the coming decades. Private investments are a dynamic and indispensable factor in this connection but governments – in poor and rich countries together – must create the investments necessary to an enabling environment. And in addition, adequate policies and good government are indispensable requirements for the millennium goal to be achieved.

Finally, some suggestions are given for a more active NGO-company cooperation with the intention to enhance the positive impact on poverty alleviation by combining company CSR and NGO philanthropy.

February 22, 2006

Sven Riskær

**Presentation at the International Conference on CSR,
Poverty and Hunger - 23 February 2006**

**Rikke Nohrlind
Coordinator
The International Dalit Solidarity Network**

On behalf of the International Dalit Solidarity Network I wish to thank the organisers for taking up the important issue of Corporate Social Responsibility with a focus on India. It is a much appreciated choice for two reasons: India is on the top ten list for foreign investments and outsourcing ventures, whilst it is still a country in deep poverty with forms of discrimination, most people in our part of the world would not believe exist in the 21st century. Caste based discrimination constitutes one of the most wide-ranging human rights problems of our time affecting the lives of about 200 million people in India alone.

The connection between discrimination, poverty and hunger is evident. Social and economic indicators across South Asia reflect the fact that Dalits (formerly known as the untouchables) and indigenous people remain at the bottom of the society when it comes to education, income, employment, health, etc. If no special effort is made by the private sector, the governments and development agencies to address this form of discrimination and exclusion, the Millenium Development Goals will not be achieved.

In countries with a poor human rights record or ineffective protection of the poor and discriminated groups, international companies and investors have a particular responsibility to avoid violation of human rights and labour conventions and to contribute with affirmative action.

In the report prepared by DCA 'discrimination' is a selected area for good reasons. Discrimination against Dalits is often hidden to outsiders, but it is deeply engrained in the Indian society and it cuts across all sectors and livelihood areas. Dalits are also excluded and marginalised at the labour market, resulting in low income or lack of income and accompanying poverty. Special measures and targets need to be set both in development programming and in private sector operations in order to change the situation.

Recent surveys presented in the Netherlands show that international companies in India hardly employ any Dalits, although they constitute between 18-20% of the population. At the same time evidence is growing that it is unprofitable for business to enter into a system with widespread discrimination and not seek

to address it. The caste system itself runs against efficient and rational operations.

Let me just give you a few examples of what it entails:

A notion of purity and pollution, segregation of living areas; prohibitions on where to move and how to act in front of an upper caste person; Dalits are often denied access to public places, such as tea-shops and restaurants, and to public resources such as water taps, wells, and public grounds.

The allocation of labour on the basis of caste is a fundamental part of the caste system. Dalits are forced to undertake certain types of work, the most menial, dirty and degrading work for a very low pay or payment in kind. Dalits are not allowed to undertake certain jobs for example to prepare and sell certain food products, as Dalits are considered impure. (This may be of particular interest for those companies, who are in the food processing industry).

In the private sector, Dalits have a low employment record in proportion to their share of the total population - both in the rural areas and in the more middle class occupations in the cities. The perception that Dalits should be restricted to their traditional low status occupation is widespread, and those who have obtained educational qualifications find it difficult to get work. If recruited they often serve in low level positions and both open and hidden practices of caste discrimination are commonplace and practised by both employers and co-workers. Discrimination also includes fewer career opportunities and lower wages for Dalits.

Some companies may claim that there is no discrimination within their operations as they have a general policy of 'non discrimination'. In a society with systemic and engrained discrimination special measures must be introduced.

A country Risk Assessment on India made for companies by the HR and Business project identifies caste discrimination as a critical human rights issue in the country - which cuts across all major rights areas - and therefore constitutes a high risk factor for companies.

One particularly critical area for companies trading with and investing in India relates to the supplier or sub-contracting chain. Bonded labour, forced labour and child labour are widespread - it is estimated that 40 million are kept in bondage and slavery working under horrifying conditions in for example agricultural, textile and handicraft production. The reason for getting into bondage is poverty. Poor families with little or no income and no access to means of production (mainly Dalits and indigenous people) obtain loans from landlords and employers to

cover basic living expenses and ensure daily survival. Due to high rates of interest and extremely low wages (sometimes coming down to a meal or two a day) people are caught in forced labour sometime for generations. This area must be of special concern to companies with suppliers and sub-contractors in India.

So what can be done by companies?

IDSN (a coalition of international human rights organisations, national Dalit federations and national Dalit Solidarity Networks in Europe and the US) has developed a set of principles to assist foreign investors and companies trading in South Asia to contribute to eliminating caste discrimination in the labour market.

The Ambedkar Principles are a call upon the corporate sector to be responsible and accountable for its impact on the wider society, including those whom it employs or whose employment it influences through the sub-contracting chain.

The AP are in line with international Human Rights standards, ILO conventions and code of conducts such as the UN Global Compact, of which Principle 6 requires supporting companies to seek 'the elimination of discrimination in respect of employment and occupation'.

The AP has been put out on the chairs and as you will see, companies are asked to include in any employment policy a reference to the unacceptability of caste discrimination and a commitment to seeking to eliminate it; they must ensure fair recruitment, selection and career development processes and detect any caste discrimination in employment conditions, wages and benefits also in the supplier / subcontractors' chain; they must develop a plan of affirmative action, evolve comprehensive training opportunities and set targets for numbers of Dalit employees; the company and its suppliers must pay specific attention to bonded labour and child labour and the role that caste relations might play in legitimising or covering up such forms of labour.

Now the question may be asked, if such principles are sufficient for companies to deal with such a complex issue?

They may not be and therefore IDSN and the Human Rights and Business Project have decided to develop a practical tool for companies - a specialised caste discrimination check using as a basis the Human Rights Compliance Assessment framework already developed by the HR and B project and with Danida support from the Public-Private Partnership Programme. We hope to have this new

tool and supporting training packages ready by the end of the year.

In my opinion, any CSR policy or toolkit for India must reflect caste discrimination as a priority issue.

The Danish Investment Fund (IFU) has recently urged all Danish companies working with IFU in India to pay attention to caste discrimination in their daily operations. This is a welcome initiative, which should be pursued by other institutions working with businesses in India, including embassies in affected countries through their business clubs.

There are other initiatives which could be taken for example by relevant ministries in their information to foreign investors / trade partners to India detailing information on socio-economic realities, patterns of poverty and caste-discrimination. The Netherlands Ministry of Economic Affairs has produced a booklet along these lines and recommends the use of the Ambedkar Principles.

Let me conclude that there is both a business and a moral case for addressing caste discrimination. If companies choose not to do anything, they will be contributing to the perpetuation of one of the biggest human rights and poverty problems today.

Dealing with the problem international companies can make a huge difference for many people. In addition the accompanying dialogue would promote new understanding, new attitudes and practices and Companies may end up serving as role models also for Indian based companies.