New Partnerships:
How business can contribute to development in difficult local environments

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Since its creation in 1956 the Konrad-Adenauer-Stiftung (KAS) has been cooperating with partners worldwide in order to address challenges as indicated below:

The international activities of the Konrad-Adenauer-Stiftung aim at implementing the principle of non-violent conflict resolution, supporting democracy and the rule of law, respecting human rights, furthering mutual understanding, respect, appreciation and cooperation between different nations, cultures, ethnicities and religions. KAS also promotes the unique German social market economy concept: a holistic concept of a sustainable market economy encompassing well-balanced economic, social, ecological and ethical development, providing help towards self-help in development, fighting the causes of poverty and encouraging environmental protection (*Soziale Marktwirtschaft*).

In fact, KAS's international work constitutes an active peace policy on a global scale.

The Konrad-Adenauer-Stiftung is named after the first Chancellor of the Federal Republic of Germany and is guided by the principles of Konrad Adenauer (1876-1967) who was one of the founding fathers of a modern, peaceful and truly democratic Germany and of a united Europe.

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Legally speaking, KAS is a non-governmental organisation registered in the German Register of Societies. It has strong ties to the Christian Democratic Union (CDU) Party for which KAS serves as a think-tank and a training institution. However, all KAS training programmes are also open to the general public.

In Germany, KAS – in addition to its Berlin headquarters – operates one academy, two centres and 21 institutes of political education. Dialogue, education and development programmes are run by 68 overseas representative offices, in partnership with more than 200 foreign organisations in more than 120 countries.

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The Institute for Organisational Communication (*Institut für Organisationskommunikation* – IFOK) is a one-stop agency providing communication and professional competence in specific fields. We are regarded as one of the leading innovators in political communication and citizen participation in Europe. 100 consulting staff members in our offices in Bensheim, Berlin, Brussels, Düsseldorf, Munich and Washington DC unite the leading expertise in our relevant issue areas.

We shape change for our clients from business, politics and the public sphere. Shaping change means developing the right approaches and strategies to bring about the necessary transformations. We find the right solution for our clients.

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Abbreviations

ACP	African, Caribbean and Pacific countries
AU	African Union
BASA	Business and Arts South Africa
BASD	Business Action for Sustainable Development
CoC	Code of Conduct
CSI	Corporate Social Investment
CSR	Corporate Social Responsibility
EIB	European Investment Bank
EU	European Union
EUR	Euro (currency)
FDI	Foreign Direct Investment
GDP	Gross domestic product
GRI	Global Reporting Initiative
HUL	Hindustan Unilever Limited
IFOK	Institut für Organisationskommunikation (Institute for Organisational Communication)
KAS	Konrad-Adenauer-Stiftung
MDGs	Millennium Development Goals (UN)
NEPAD	New Partnership for Africa's Development
NGO	Non-governmental organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
SADC	Southern African Development Community
SME	Small or medium-sized enterprise
SSACI	Swiss-South African Cooperation Initiative
TCCI	Tata Council for Community Initiatives
USD	United States dollar
WBCSD	World Business Council for Sustainable Development
WSSD	World Summit for Sustainable Development

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Introduction: Business and development – challenges and opportunities

Dr Peter Köppinger

The starting point

Multinational enterprises play a crucial role in many developing and newly industrialised countries. Within the framework of global competition, their decisions to invest in a specific country are based on profitability, securing or increasing market share, and the medium and long-term sustainability of the corporation. For industrialising countries, multinational enterprises provide opportunities for:

- Knowledge transfer;
- Job creation;
- Human resources and infrastructure development;
- Support for the integration of the economy into regional or global trade and investment flows.

However, the role of multinationals in the development agenda of a country is more complex, given:

- The impact of their activities on the living conditions and development opportunities of the local people;
- Influences on the social, economic, legal and political frameworks where they are based due to their financial power;
- Relationships with local, regional and national decision-makers, enabling the parties to exchange views, evaluations, critiques, and suggestions on the direction of the development agenda.

The complex interrelationship between multinationals and the countries hosting them is largely based on considerations of mutual benefit. Understanding the cultural, social, economic and political frameworks in a country where the corporation decides to locate itself is key to successfully deriving benefits for both parties.

There are numerous cases where multinationals have been confronted by serious obstacles, or have ceased to be profitable because of a lack of awareness with regard to these frameworks. This kind of negligence can affect everything from human resources and management, to distribution and marketing activities.

Many multinationals have tried for years to promote healthcare, education, housing and infrastructure in areas where their workers and their families live. This kind of intervention has sometimes included whole villages or districts.

These efforts, while being largely honourable in their intent, are interventions into the cultural, social and economic reality of the area where the company locates itself. In many cases these activities fit into the development agenda of the respective countries. In other cases, the efforts can produce social conflict, increased inequality or cultural alienation. The same is true for the working conditions in multinational companies. The way labour laws and safety standards, social security schemes and environmental regulations are implemented often differ from the reality of domestic companies in the countries concerned.

The dilemmas surrounding the interrelationship between multinationals and the development agendas of their host countries have long been researched. However, no satisfying answers have been found to key questions, such as:

- Are there general, country-independent experiences demonstrating how multinationals can avoid fuelling conflicts in host countries?
- How can multinationals compete with situations where national legislation, crucial to sound socio-economic development in the countries they locate to, is not implemented by the majority of their nationally-owned competitors?
- What models for cooperation on development agendas between multinationals and national-international actors (international organisations, NGOs, professional associations, research and scientific institutions, political foundations and others) have been tested and found promising? Which of these have effectively contributed to the development agenda as well as to the smooth integration of the operations of multinational enterprises into the cultural, social and economic framework in the area where they are based?

Our objectives

It is important to identify and clarify conditions and potential approaches multinationals can take in developing and newly industrialised countries, that are beneficial to both the development agenda and the multinationals.

In order to do this, the following actions need to be taken:

- Compiling of experiences and suggestions for multinationals on attitudes, approaches and actions that will support the stability and sustainable economic and social development of their host countries;
- Compiling of experiences and suggestions that promote a beneficial framework for the economic success and profitability of investment by multinationals, without causing damage to the development of their host countries;
- Creating of a list of options and models for cooperation between multinationals and international as well as national stakeholders regarding the development agendas of developing and newly industrialised countries.

These were the objectives of the New Partnerships project, carried out by the Konrad-Adenauer-Stiftung (KAS) and the Institute for Organisational Communication (*Institut für Organisationskommunikation* – IFOK). This book lays out the results of this project, as presented and discussed at an expert workshop held in Brussels on October 1-2, 2007.

The New Partnerships project

Introduction

The New Partnerships project was conducted in cooperation between the Konrad-Adenauer-Stiftung (KAS) and IFOK (*Institut für Organisationskommunikation* – Institute for Organisational Communication). The aim of the project was to explore the relationships between multinational corporations and their stakeholders in developing and newly-industrialised countries.

The main focus of the project was to develop concrete recommendations, effective strategies and solutions on how business and society can form mutually beneficial partnerships to enhance local sustainable development. Through this endeavour, corporations have been given the tools to better secure their investments and manage their sustainable growth. Equally important, stakeholders and societies have benefited from effectively communicating their desires to corporations and forming long-term development partnerships with them. The project has also succeeded in outlining recommendations concerning potential cooperative efforts between corporations and development agencies. Finally, the learning process and discussion of these topics was enhanced, providing impetus for broadening the project and developing further case studies in the next phase.

New Partnerships had three stages:

- Preparatory research (including telephone interviews);
- Field research for six selected case studies in India and South Africa, involving visits to the companies that joined the project and visits to project sites;
- Preparation of an expert workshop which took place in Brussels, from October 1-2, 2007. This workshop included high-ranking representatives from corporations, German and European governmental institutions, non-governmental organisations (NGOs) and members of KAS. Participants talked about their experiences, presented

case studies and discussed their strategic implications. Recommendations to companies, stakeholders and development agencies on how to develop partnerships were recorded.

India and South Africa were selected as the most suitable countries in which to for the case studies. As so-called anchor countries, they not only play a central role in the development of their regions, but also as shapers of global economic developments, structures and negotiations. Therefore, they carry increasing weight in the development strategies of both Germany and the European Union. The companies that served as case studies were mainly European multinationals active in the field of local development and whose projects serve as good practise examples. Companies such as DaimlerChrysler, Hindustan Unilever Limited, as well as Tata Steel and Tata Motors in India; and ABB, BMW and Siemens in South Africa, were represented.

Background

Since the latest initiative for the UN Global Compact and the UN Summit in Johannesburg, the role of companies and the private sector in contributing to development has been high on the global agenda. This trend has its roots in the constant change in roles, responsibilities and relationships between public, private and civil actors. Prompted by economic forces and ecological threats, paired with phenomena such as globalisation and regionalisation, the nature of governing started to transform from government and toward governance. In the West, public power is becoming less centralised and hierarchical; it is more fragmented and shared among supranational, national and sub-national levels. These factors, together with privatisation of utilities and services, as well as a general decentralisation of policy process, have given rise to the notion of the 'hollowing out' of the nation state. From this stems the growing social responsibility of organisations from the private and civil sector. Increased reliance on cross-sector partnerships, networks and new ways of dialogue about how policy is designed and delivered have resulted.

During the World Summit for Sustainable Development (WSSD) in Johannesburg, South Africa in 2002, these trends were identified on the global level. It was here that the initiative Business Action for Sustainable Development (BASD) demonstrated that the international business community had recognised its role as a key player in the sustainable development agenda. Two years before, the Cotonou Agreement, a treaty between the European Union and the group of African, Caribbean and Pacific states (ACP countries), assigned a new role in development to non-state actors, side by side with central governments. Non-state actors can act as consultants, gain access to financial resources and become involved in implementation. In 2000, the United Nations launched the Global Compact to encourage businesses worldwide to adopt sustainable and accountable socially-responsible policies. Corporations voluntarily sign the Global Compact and thereby agree to operate according to ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

Since then, the potential of the public sector as an instrument for sustainable development and capacity building has been recognised. Subsequent investments, services and products have had a major impact on economic growth. Employing modern management and technological know-how may contribute favourably to democratisation and the strengthening of environmental and social standards. At the same time, multinationals operating in developing and transitioning economies are exposed to various challenges and difficult environments. Many Asian, African and Latin American countries face socio-economic and regional disparities. Large segments of their populations suffer from poverty, illiteracy or malnutrition. Social services are often not delivered due to the limited capacity of local and regional governments. Corruption, conflict, and weak legal systems intensify these problems. The behaviour of companies in these areas has a huge impact on local communities, natural resources, the development of infrastructure, and societal harmony. Yet, the activities of multinationals in these areas are often the subject of controversy. How can their presence serve as a key to development and not a source of conflict?

Certain trends can already be observed with respect to companies and development. For example, the number of multinationals operating in developing and newly-industrialised countries that embrace socially responsible activities is rising. As direct involvement in development projects replaces 'chequebook charity', the interaction between companies and their stakeholders, communities, local governments, civil society and the surrounding environment becomes a requirement of their corporate citizenship activities. They become further involved when commitments go beyond charitable practices and reach into the promotion of sustainable social, economic and environmental development. Those activities can only be effectively planned and implemented in cooperation with all affected stakeholders and local communities. Because of this, it is important that effective and efficient partnerships between the various players continue to grow.

Besides taking initiatives in local communities, corporate social responsibility (CSR) means that multinationals must comply with international and national norms of human rights, environmental laws, and labour standards. International codes of conduct (CoC) standardise these norms. Through such structures as the Global Reporting Initiative (GRI) the impacts of their activities are publicly communicated.

Here, it is the stakeholders who play the crucial role of assessing whether or not a company has been accountable or transparent. Those not accountable cannot be considered socially responsible.

Interdependence also increases due to closer and more intensive interaction between private, public and civil actors. Partnerships have been defined in many ways (see box). For the purpose of this project, we decided to focus on the practical and concrete experiences of the various actors.

J. Nelson and S. Zadek, published by The Copenhagen Centre, p.14 :

The Prince of Wales Business Leaders Forum provided the following definition of partnership:

A cross-sector alliance in which individuals, groups or organisations agree to work together to fulfil an obligation or undertake a specific task; share the risks as well as the benefits; and review the relationship regularly, revising their agreement as necessary.

The World Resources Institute offered a similar perspective in their analysis of initiatives focused on environmental issues:

...a voluntary and collaborative effort among businesses, nonprofit groups, and government agencies working on a sustained basis to address a... challenge that is important to all parties.

The Ashridge Centre for Business and Society offered a somewhat different definition:

Three or more organisations – representing the public, private and voluntary sector [sic] *– acting together by contributing their diverse resources to pursue a common vision with clearly defined goals and objectives. The objective of a partnership should be to deliver more than the sum of the individual parts.*

.....the Copenhagen Centre defined new social partnerships as:

People and organisations from some combination of public, business and civil constituencies who engage in voluntary, mutually beneficial, innovative relationships to address common societal aims through combining their resources and competencies.

Regional Context

South Africa and India have played significant roles in the development of their regions and are increasingly involved as global actors. Due to their economic weight and political influence, they have become key actors in poverty reduction, sustainable development, regional integration and peacekeeping.

South Africa

More than a decade after the downfall of the Apartheid regime, South Africa has successfully transformed into a democratic and pluralistic society with an open and free market economy. Due to strong macro-fundamentals, South Africa has experienced impressive economic growth running at 4.9 percent in 2006, and expects a budget surplus of 0.5 percent by the end of 2007.

> **South Africa in focus**
>
> ***Economy:***
> *GDP:* USD 240.2 billion
> *GDP growth:* 4.9 percent annually
> *Inflation, GDP deflation:* 4.7 percent annually
> *GNI per capita:* USD 4,960
> *Unemployment rate:* 25.6 percent
>
> ***People:***
> *Total population:* 46.9 million
> *Life expectancy at birth:* 47.7 years
> *Infant mortality rate:* 55/1,000 live births
> *Prevalence of HIV/AIDS:*
> 18.8 percent (population aged 15-49)
> *Primary school completion rate:*
> 89 percent of relevant age group
> *Literacy rate:*
> 82 percent of population aged 15+
> *Access to improved water source:*
> 88 percent of population

Economic transformation and consolidation continues to be the focus of political discussion. South Africa still faces major social challenges such as widespread unemployment (which varies according to definition between 26 to 37 percent), poverty and problems with service delivery at the local level. The range of aggregate income is wide between the privileged (mainly white) and unprivileged (non-white) populations: 13 percent of the population lives in First World conditions, while almost 50 percent lives in the conditions of the Third World.

Because of these factors, government agendas have been affected by structural adjustments for poverty alleviation, the reduction of unemployment, economic integration of the formerly disadvantaged and the containment of the HIV/AIDS-pandemic. The Reconstruction and Development Programme (RDP), a socio-economic policy framework, has combined economic measures to constrain fiscal spending, sustain or lower taxes, reduce government debt, and liberalise trade, while also providing social service provisions and developing infrastructure projects. Since 1996, the programme for Growth, Employment and Redistribution (GEAR), a macroeconomic strategy, has aimed at strengthening economic development, broadening employment, and redistributing income and economic opportunities to the poorer segments of society.

The National Black Economic Empowerment Programme (since 2005: Broad Based Black Economic Empowerment (BBBEE)) has tried to redistribute wealth across a broad spectrum of South African society. All companies are audited yearly by specially certified BBBEE Verification Agencies along either a generic or a individual sector score card, each using seven pillars of evaluation: equity ownership (20 percent), management (10 percent), employment equity (10 percent), skills development (20 percent), preferential procurement (20 percent), enterprise development (10 percent), and residual element/Corporate Social Investment (10 percent). One of the tools of the BBBEE is the Black Business Supplier Development Programme (BBSDP) which assists black-owned small businesses with the potential to grow quickly to become more competitive and to integrate into the formal economy.

The total amount of official development assistance (ODA) flowing to South Africa has been marginal. The USD 656.8 million given by OECD countries in 2002 was equivalent to only 0.65 percent of the country's GDP. Instead, support has been more in consulting services rather than through common capital assistance. These services have focused on the modernisation of state services in formerly neglected provinces through training of government officials and reform of their administration.

South Africa's development potential reaches beyond its borders and is capable of contributing to the political, economic and social stability of sub-Saharan Africa. Its development has significantly contributed to the reform of the African Union (AU) and the foundation of the New Partnership for Africa's Development (NEPAD), both of which are central to the new political dynamics in Africa. Regionally, South Africa seems to be willing to play the role of a peace-keeping and peace-creating hegemonial power. In global bodies of structural policies, such as the UN or the World Trade Organisation, South Africa is an important mediator between industrial and developing countries.

India

India is the world's largest democracy with over one billion people. Its fast growing economy is one of the largest globally in terms of purchasing power and is attractive due to a well educated but affordable labour force and an expanding consumer market.

Although India has made rapid economic progress in the last decade, the country is marked by extremes in its standard of living. Bridging the gap between the privileged and the underprivileged is a major challenge for a weak political infrastructure spread over 28 self-governed states. Some states struggle with a legacy of vested interests and low efficiency, leaving them unable to address high levels of poverty, illiteracy, malnutrition, and environmental degradation. Public services fail to meet the basic needs of the poor, especially in rural areas and the outskirts of highly developed metropolises.

Environmental concerns range from water scarcity and air pollution to the loss of biodiversity. The government approaches these problems with increasingly strict legislation and regulation. Here the judiciary acts as an influential and modernising force, while in other cases outdated laws and corruption inhibit the judiciary from exercising its influence. Child labour, human rights abuses, particularly with regard to caste, and gender inequality overshadow this progress.

India in focus

Economy:
GDP: USD 805.7 billion
GDP growth: 9.2 percent annually
Inflation, GDP deflation: 4.4 percent annually
GNI per capita: USD 730
Unemployment rate: 7.8 percent

People:
Total population: 1094.6 million
Life expectancy at birth: 63.5 years
Infant mortality rate: 56/1,000 live births
Prevalence of HIV/AIDS:
0.9 percent (population aged 15-49)
Primary school completion rate:
75.4 percent of relevant age group
Literacy rate:
61 percent of population aged 15+
Access to improved water source:
86 percent of population

There is a long tradition of philanthropy within the Indian business community and of a highly active civil society. About two million NGOs and activists, along with a free and active media, campaign on both the national and global level to successfully catapult local issues onto the world stage. At the same time, the number of multinationals investing in India has risen rapidly. Long before CSR became a buzzword, industrial dynasties fostered concepts of nation-building and trusteeship. Today, CSR is based on a culture of 'giving back to society', where national and international corporations are active in community development and corporate giving. These activities range from environmental management to workplace improvement. From a critical perspective, multinationals are sometimes considered as unofficial successors of colonial powers.

I – Perspectives and challenges of partnerships between society and business in developing and newly-industrialising countries

Partnerships between society and business in developing and newly-industrialising countries: the Indian perspective

Dipak Chatterjee

An ancient civilisation but a young nation

India is a young nation. It is also an ancient civilisation that has seen many ups and downs throughout its history. Around 1770, India was the world's second largest economy, contributing more than 20 percent of global economic output. By 1970, after two centuries of economic stagnation, that share fell to three percent. Through the 1950s, 60s and 70s the average annual growth rate stagnated at 3.5 percent. In the period between 1990 and 2005 it was six percent, and during the last two years it has been 9.3 percent.

Today, India is one of the six fastest growing economies in the world. It is also the fourth largest in terms of purchasing power parity. External reserves are more than comfortable and foreign trade is growing at double-digit rates. India's inflation rate is not very high in the context of the GDP growth rate and interest rates are on a declining curve. We have a mature and impartial judiciary, well versed in the ways of a market economy.

Transformations and remaining constraints

If everything is on track, what is it that constrains India today? While the services sector is booming and the performance of manufacturing is impressive, we can ill afford to rest on our present growth achievements. Agriculture remains the source of livelihood for over 600 million of our 1.09 billion people. We face challenges in creating employment, reforming agriculture and building infrastructure. There are also great challenges for the nation to create sustainable and equitable growth that meets the aspirations of the people.

Post independence, India's approach to development was influenced by socialist ideology. The first forty years after our independence were characterised by central planning and bureaucratically managed processes financed through largely state-controlled institutions. Taxation rates were among the highest in the world. The policy framework was not designed to encourage international trade, which was almost completely licensed. In short, wealth creation by an individual was not appreciated, if not discouraged.

This controlled and planned path of economic development was needed. Long years of colonial exploitation impoverished the country and the scale of investment required to create infrastructure, both physical and social, was beyond the capacity of private enterprise. The result of the policies followed in those initial four decades was mixed. We succeeded in creating physical infrastructure where there was none. The green revolution made us self sufficient to feed our vast population. Institutions of higher education established in those days have given us a pool of talented people increasingly sought after by the best businesses in the world.

Yet this phase was not without its drawbacks. The stranglehold of regulation stymied the spirit of enterprise. The entrepreneur was stifled and the protective environment created industries that became complacent due to the lack of competition. The Indian economy fell into a pattern of growth that derisively was referred to as the 'Hindu rate of growth'. Economically, India fell behind the Asian tigers and neighbouring China.

Because of the foreign exchange reserve crisis in 1991, India initiated a gradual process of economic reforms. From a public sector dominated economy, the country began moving to one driven by private enterprise. As the shackles of regulation loosened, the private sector grew more confident in an internationally competitive environment. Today it is recognised that a freer economy is good for the progress of the country as a whole.

With freedom comes responsibility. In the days of the command and control economy, most businesses were prevented from growing as they wished. Most business managers did not see any need to do things for the community. The government was expected to provide for society. If a business got involved in some kind of community work, it was usually to honour the memory of a departed parent, at the behest of a politician from whom favours could be expected, or as a personal favour.

India and corporate social responsibility

The concept of corporate social responsibility (CSR) is as ancient as India itself. The first examples of CSR in Indian history can be seen in the guilds as early as 320 BC, when guilds were not merely economic work organisations but shared political and governance roles as well. In periods of economic instability, the guilds took over decision-making and governance roles at the local level. These roles were embedded in the moral order of the society, as was the formalised commitment to these roles.

What is CSR in the context of the modern world? CSR is a concept encouraging organisations to consider the interests of society by taking responsibility for the impact the organisation's activities have on society as a whole. The broad rationale for a new set of ethics for corporate decision making arises from the fact that a business enterprise derives benefits from society, therefore requiring the enterprise to provide returns to society as well.

Why should companies whose major objective has been to maximise profits for the benefit of their shareholders worry about serving broader societal interests? The answer is that business cannot succeed when society fails. Business organisations therefore have a stake in the good health and wellbeing of a society of which they are a part.

CSR has thus acquired much broader implications for the nation as a whole. It reduces dependency on the government for social change. There is a need for public-private partnerships with well-defined controls and processes for the best use of resources for social change. Community-driven social reform brings people together, turns the attention of the masses to tasks that benefit society, and reinforces peace and harmony.

The current concept of CSR covers a range of issues from sustainable development and protection of the environment, to the provision of basic services like health care, education and literacy. It could be said that every entity, including the corporate world, has a stake in seeing that the Millennium Development Goals (MDGs) are achieved. Water, energy, health, agriculture, and biodiversity are keys for bringing about solutions 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 in some sense become guideposts for corporate social strategy and action.

Building societies

In recent times, a number of foundations set up by leading Indian companies including the Tata Group, the Birla Group, Infosys Technologies, Wipro Technologies, TVS

Motor Company, and Dr. Reddy's Laboratories, have taken a keen interest in corporate activism to improve healthcare, education and living conditions, and to reduce poverty. The foundations established by Indian business leaders have developed processes and methodologies for effective change. They support many non-governmental organisations and have built orphanages, hospitals, and schools as well as institutions of higher education.

Education and health are key. To unleash the full potential of our population, innovative education policies aimed at developing employment skills are the greatest need. Together, good health for all and education offer an opportunity for corporations to display their commitment towards social responsibility. If each company decides to support education and health services in and around its factories, it is bound to have an impact.

CSR is sometimes mistaken for charity. In this day and age it can be and it should be much more than charity. For example an innovative way to contribute socially is for firms to spend in towns and villages, and to buy products from millions of artisans. The use of such products as corporate gifts or for interior decoration may have socially more redeemable value than charitable giving. Activities that lead to the creation of jobs in smaller towns and villages would be a far more effective way of helping society address problems of rural poverty in India than giving away large sums of money. Inculcating CSR is also about training young minds and helping future generations organise themselves for the greater good. Social responsibility needs to be deeply ingrained from childhood.

The experience of India with multinationals has been mixed. The 1984 Bhopal gas tragedy that took many lives; recent cases of soft drinks made with adulterated water; or the attempt of a state government to acquire land for a multinational to set up a plant in India without an adequate compensatory package, do not inspire many to think of them as socially responsible. Like elsewhere in the world, in India, negative reports often attract more attention than positive ones. Multinational corporations and private enterprises need to recognise that this is a new and different India they are dealing with. Corporations that treat India as home and are willing to contribute to India's efforts to achieve the MDGs will find that they are respected and not seen only as profit-seekers.

Remaining challenges

The challenges for India are enormous. It is necessary to create jobs and economic activity in rural communities. Unless corporations and individuals spend on goods and services that reach all levels of society, economic prosperity for most of the population will be harder to achieve. Social responsibility should also not be limited to large successful corporations. There should be greater participation in this regard from most small, medium, and large businesses.

CSR and volunteerism have no boundaries and are not constrained by race, colour, or religion. Concern for the community is sometimes mistaken for socialism. One must acknowledge that capitalism thrives only when every citizen is an asset and has opportunities to succeed. CSR is an unwritten contract with the community. This invisible culture can shape brighter futures for all nations. The goodwill companies can generate from acts of social responsibility may, in fact, be worth far more to the businesses than the amounts they give away. Corporations collectively can make countries better places for all citizens.

Partnerships between society and business in developing and newly-industrialising countries: the South African perspective

Lionel October

The economic picture

South Africa faces a number of economic challenges. Multinationals contribute to tackling these challenges and moving towards sustainable development in South Africa, a country of 45 million people. South Africa is the gateway to southern Africa and to the continent as a whole. One of South Africa's key economic objectives is regional integration in the form of a common market – the Southern African Development Community (SADC), which represents 14 countries in sub-Saharan Africa. South Africa is a middle-income country, but all surrounding countries are either less-developed countries or possess very low levels of development.

With the advent of its democratic system in 1994, South Africa faced massive social and economic challenges. Growth came to a standstill in the 1970s and 1980s, with negative or very low rates of GDP growth. Unemployment stood at 35-40 percent. Macroeconomic instability abounded. Very high government deficits and inflation prevailed.

The first economic task of the democratic government was to stabilise the economy and lay the foundations for growth. This was achieved through tackling a number of key issues. The first was to deal with fiscal and monetary policy, which meant reducing the deficit and opening up the South African economy. The first ten years after 1994 were dedicated to stabilisation. During this period we had very moderate levels of growth around two to three percent.

Since 2004, growth has risen to around five percent, and South Africa has policies in place to boost growth to six percent and above in the next decade. South Africa doesn't have the high growth rates of China and India, but it is a middle-income country with a per capita GDP of more than USD 5,000. This sets the starting point for growth higher than China or India, and indeed, the economy has expanded four-fold since 1994. In addition, inflation has been reined in and interest rates have declined.

Regarding trade, South Africa was once isolated. For over 200 years, trade has been largely based on the export of gold and rough diamonds. Since 1994, the government has steadily opened up and liberalised the economy. South Africa joined the Uruguay Round and levels of tariff protection are relatively low – around 12 to 13 percent. The country has opened its markets and attempted to integrate into the global economy. The most significant step forward in this regard is a free trade agreement with the European Union. This agreement will significantly reduce the bulk of duties between South Africa and the EU.

Exports have grown slowly and this factors into the declining unemployment rate. Growth in exports of manufactured goods has been less impressive than exports of some mineral products or low added value products.

In the decade after 1994, we focused on 'social infrastructure' due to the fact that the bulk of the population had been denied access to healthcare, housing, pensions and welfare benefits. Government finances were dedicated to bringing about social inclusion. Because of this, investments in infrastructure such as ports and railways, lagged behind. Yet now South Africa has the fiscal space to implement a massive public investment plan: EUR 40 billion will be spent in the next three years on infrastructure alone. Priorities include the construction of ten new power stations and massive investment devoted to transport infrastructure – not only for the benefit of the 2010 FIFA Football World Cup, but to further facilitate imports and exports.

South Africa's goals

South Africa's key goals are to cut unemployment (25 percent) and poverty in half by 2014. There have been improvements recently. Income has risen by over 50 percent, and investment has increased, especially in the last three to five years. Investment as a percentage of GDP rose to 20 percent in 2007. South Africa has a clear, pragmatic economic policy in place. Raising the growth rate is key to dealing with employment challenges. Growth must also be balanced and not rely as heavily on mining, which is exposed to price and demand fluctuations.

Today South Africa has the institutions, policies and infrastructure to provide for a firm foundation of sustainable growth. South Africa has a long-established legal system based on Roman and Dutch law, as well as one of the world's most modern constitutions. It has deep financial markets and a large stock exchange. South Africa needs to diversify, but there is still an abundance of raw materials and minerals: the country is rich in natural resources.

Nevertheless, the challenges facing South Africa are still significant. Although the industrial base has diversified, the economy is still reliant on mining. Attempts have been made to grow the manufacturing and service sectors, and there have been significant successes. But much work remains to be done, such as in the automotive sector, which is largely owned by multinationals. South Africa still has a relatively low value-added manufacturing sector.

South Africa has realised that a simple macroeconomic fiscal and monetary policy, as well as liberalising trade, are not sufficient to deal with the economic challenges. Consequently, an active industrial policy approach has been adopted as part of a clear strategy to diversify the economy away from mining and to assist it to become one of high-value manufacturing. Most importantly, growth should be broad-based. Until the early 1990s, one reason for slow growth in South Africa was that only ten percent of the population were in the position to act as consumers. The majority of black people were excluded and earned very low incomes, making the domestic market itself very small. Expanding the consumption base and promoting social inclusion have been keys in recent years. Broad-based growth is not only good from the point of view of social equity and correcting historical injustices, it is also the only way to achieve long-term economic growth.

Furthermore, South Africa's challenge remains regional integration. Previously, South Africa was isolated globally as well as from its neighbouring partners. Its goal now is not only to rely on its industrial development, but on the development of the SADC region as a whole.

The SADC trade agreement is significant. By 2010, if the timetable is followed, a free market throughout southern Africa will be created. There are also major bilateral agreements with India, MERCOSUR and China, with regard to positioning South Africa’s integration into the global economy.

Multinationals – the pros and cons

Prior to 1994, with a few exceptions, multinationals played a very small role in South

Africa. FDI as a proportion of the total investment in the economy was less than three percent. While some multinationals have been in South Africa for over a century, the economy has mainly been driven by domestic investment.

Multinationals are now playing a greater role in South Africa. This has been especially evident in the last three to five years and is a positive development for a variety of reasons. This has led to technology upgrades and modernisation. Companies such as Siemens and Vodafone have developed world-class systems and introduced them to South Africa. More importantly, 60 percent of global trade takes place between multinationals. It is the multinationals that have integrated South Africa into the global supply chains. For example, BMW, Daimler Chrysler and Airbus manufacture either their models or component parts in South Africa.

In terms of the socio-economic dimension, multinationals have performed better than national companies regarding the recognition of workers' rights, wage levels and social benefits. The automobile sector in South Africa may be largely foreign-owned, but these were the first to recognise trade unions when they were still illegal under the old Apartheid regime. The multinationals were also the first to employ and train black managers.

But the contribution of multinationals is not so much about corporate social investment. In reality this is marginal. The economic and modernising impact has been more important, since it has created employment and has introduced new technologies.

There are also negative aspects of globalisation. One of the world's largest steel companies operates in South Africa, and has 80-90 percent of the South African market. Yet its price is 20-30 percent above the average world price in South Africa because it does not face regional competition. This, for example, limits the further development of South Africa's construction industry. Because they operate as a virtual monopoly in the South African market, they can set the price level and engage in import parity pricing. Therefore, while the investment is useful, there is a negative impact on the whole downstream of the South African economy.

Similarly in the auto industry, though not to such a large extent, companies price their products above world prices. The logic of this is to maintain comparative profit levels. Because the market is small in South Africa, prices are set higher. But the long-term result is that it keeps the market small. South Africa therefore benefits from multinationals, but if pricing behaviours would change it could have massive impacts on employment in downstream sectors.

In general multinationals operating in Africa often confine themselves to extractive industries and basic assembly. Value-added work is done in the home country. A key to maximising the benefits of multinationals in South Africa, therefore, would be to have more value-added production. While corporate social investment, in the traditional sense of charity, is obviously useful in the short term, the key issue for multinationals is how to improve the productive base of countries in terms of investment.

Partnerships between society and business in developing and newly-industrialising countries: the business perspective

Jürg Gerber

Business and sustainable development
The World Business Council for Sustainable Development (WBCSD) is a coalition of 200 leading multinationals, which has been active and dedicated to sustainability issues for 15 years. The WBCSD programme is decided on by companies, and depends on where they want to contribute and where the most burning issues are found. The current focuses are energy and climate, where the agenda is clear but difficult; development, which has been a focus for many years; and ecosystems, which is a more recent concern and deals with a broader understanding of the environment. In all areas, the key questions for WBCSD is what is the role for business in society?

WBCSD supports many projects, some of which attract only a part of the membership. Energy efficiency in buildings and forest products are two examples of these. The WBCSD also promotes initiatives, for example on supply chains.

One WBCSD particularity is its global outreach, through the possibility of regional or national councils. Presently there are 60 of these. They allow small and medium sized companies to participate in discussions regionally, though they cannot be members of the global organisation.

A question of mindsets
In the past, production and communities have been decoupled from one another. Companies have produced goods that may not even be sold in the community that produces them, and companies have had limited understanding of their impact on

the environment in terms of emissions, effluent or waste management. Can sustainable development be entrenched in a situation where such mindsets are still prevalent – not just on the part of companies but also within communities? The mindset must be changed, but it is a big challenge to change it.

This leads to the question of who will take the leadership role in this. Even in the western world, there are problems, for example in waste management, there are leaking underground sewage systems, and leaking water supply pipes, which means lost money. Even in industrialised countries, therefore, the mindset needs to change.

The key question for business is how can it contribute to help change mindsets? The discussion should focus on what it takes to make the step forward. Consideration must also be given to how isolated systems – for example, companies, communities or ecosystems – can be linked together. It is complex, but there are solutions if there is a willingness for leadership and dialogue.

There is a role for global standards. Multinationals can play a part in this by applying the same standards around the globe, regardless of which country or community they operate in. Local communities and local governments – which hopefully are free of corruption – need to be supported. In this way, common understandings can be reached.

Three recommendations for business

WBCSD has three key recommendations for businesses working on sustainable development. First, work on awareness-raising and common understanding. WBCSD has done this by, for example, developing long term scenarios for water (to 2025) and energy and climate (to 2050). The latter concerns investment behaviour behind infrastructure projects.

Second, it is necessary to measure the impact of sustainable development initiatives in a transparent way so further improvements can be made. Third, it is necessary to work with others. This is not an easy task, because it is often a complete change in the way a company is managed. It may be easier for multinationals compared to small and medium-sized businesses, which often lack the capabilities to address these topics.

The degree of influence a business is able to exercise has certain limits. A company can have direct influence over its own facilities and operations, but only indirect influence externally, for example on the situation in its region, country or globally. Multinationals must deliver positive financial results on a quarterly basis. If a company cannot do that, the managers will be changed, with all the consequences that entails. This means there is tremendous pressure, which often works against longer-term issues of sustainability.

But if it is possible to work with others and exchange good practice, and for the business voice to contribute to global discussions, the potential for achieving something is huge.

Many multinationals are active in different regions in order to get access to resources, but resource-rich countries have a big challenge to develop a wealthy society in preparation for the time when the resources are depleted. There is not yet a good model for doing this, especially in situations where resources are in high demand, as is the case at present.

A framework for business and development

So how can business systems that better include all parts of society be developed? How can companies do business with the world and not just with a very selective small group of people and countries? The WBCSD believes that in order for companies to engage with the development agenda, some ingredients are already in place, such as the Millennium Development Goals (MDGs). These are not written at all in business language, but they describe a framework and issues that are key and to which business can contribute. The language can be understood by a broader part of our society.

We should therefore build on the MDGs. In order to achieve them, it is not only a question of capacity building, education, and finance, but it is also a question of the expectation on the return on financial investments, because the gaps in the MDGs are mostly infrastructural, and thus, it is not possible here to measure outcomes using the same methods that are used for products. There is no clear answer at the moment on how to bridge this gap.

More synergies should be built between official development aid (ODA) and FDI. ODA should not be an isolated state activity as it often has been in the past. The multinationals can try to liaise and build better relationships with donors. There could be significant opportunities in doing certain things together towards development priorities.

Globalisation, whether one likes the term or not, stands for business opportunities, for growing public expectations, and for more responsibility on the part of the actors. Companies always talk about growth strategies and corporate reputation; perhaps that is not good enough and it is necessary to be much more careful concerning the social impacts of business.

The term 'corporate responsibility' is preferable to 'corporate social responsibility'. This means the economic and environmental dimensions are part of a company's responsibilities, as well as the social dimension. This is important for sustainability.

Business cannot succeed in societies that fail, but we must ask what companies can do to prevent societies from failing. There is no clear-cut answer to this, but the more business is willing to engage in multi-stakeholder processes, the more opportunities there are for business to contribute in this dimension.

There is a paradox that business cannot solve poverty but poverty cannot be solved without business. This raises the question of who the key actors are, and who plays what role? There are both good and bad examples from multinationals in this respect. WBCSD is also keen to share experiences from negative examples, in order to learn – though it is often more difficult for a company to talk about its failures.

In general, companies are doing more business with low-income communities, which is a must. Poverty alleviation is a major objective, but when poverty is alleviated, more consumers are created. Business must address the needs of these consumers and better understand their behaviour. Who is responsible for educating and informing them in terms of product choice?

It is also the role of WBCSD to help its stakeholders see the benefits of moving beyond philanthropy, though philanthropy itself can sometimes make a big difference, especially in emergency situations. But it is not a strategic concept. Partnerships between business and development actors is a topic that is at the top of the agenda. Stakeholders from both sides are willing, but such partnerships are not easy, with more failures than successes. But failures can also teach lessons. It is often a question of selecting the key stakeholders: who really is a credible stakeholder? Stakeholders must be willing to contribute and take responsibility. NGOs that are more concerned with apportioning blame, as still sometimes happens, are not really the stakeholders who are able to talk on behalf of the society in question. Stakeholders must be prepared to take responsibility in the longer-term.

Golden rules

In summary, the 'golden rules' for multinationals in contributing to development agendas are:

- Focus on core competences; identify where support and help is needed;
- Partner across sectors, rather than following a traditional business sector approach; many opportunities are lost through working in isolation; partnerships are needed to build the best solutions for societies;
- Localise value creation, mainly working in emerging economies;
- Innovate; try to find new, more sustainable solutions for a multi-stakeholder environment where success is unlikely through working alone.

A final word should be said about small and medium sized enterprises (SMEs). They contribute much more to employment than multinationals, and they contribute substantially to GDP if they are managed wisely. SMEs are often under tremendous pressure and exposed to different activities of government ministries. So it is necessary to understand the role of SMEs in a national economic environment. For SMEs to succeed, an enabling regulatory environment is critical. It is a question of sharing resources to benefit economic growth. Governments can address the need for start-up funds, and can help in terms of timing: how quickly a company can be created, for example. Governments can also establish regulatory frameworks that are compatible with those in neighbouring countries. This is one area in which there is much to be done, especially concerning ecosystems. With water distribution for example, what really counts are supply and demand issues within river basins, which may be trans-boundary. This has to be managed. The EU provides a good example in this respect, with the Water Framework Directive. It would be positive to promote similar mechanisms much more around the globe. Government support can help business do better on such topics and provide answers to the questions companies often raise.

In summary, business can move beyond a focus on shareholder value to a focus on stakeholder value. This involves building bridges and trust, and is about understanding the strengths and limitations for each actor in such a multi-stakeholder environment.

Partnerships between society and business in developing and newly-industrialising countries: the European Commission perspective

Antonio Garcia Fragio

The world's largest donor
The European Union is the largest aid donor in the world, contributing 56 percent of the world's total official development assistance (ODA). In June 2005, it decided to raise its aid volume to 0.56 percent of GDP by 2010 as an interim target towards an objective of 0.7 percent by the year 2015. In concrete terms, this means that the EU's annual ODA will rise from EUR 44 billion in 2006, to EUR 66 billion in 2010.

However, ODA alone, no matter how large the amount, is not enough to meet all development challenges. A vibrant private sector capable of being the engine of economic growth is necessary to alleviate poverty and create jobs. The European Commission recognises the crucial role the private sector plays in the attainment of the Millennium Development Goals.

There is one pre-requisite for the private sector to flourish: the existence of a conducive business environment. This is the single most important factor for increased investment.

This is why the Commission is promoting policies that improve macro-economic frameworks, support good governance and the implementation of appropriate legal, fiscal and regulatory reforms, facilitate trade, encourage public-private dialogue and strengthen the competitiveness of local enterprises.

We have examples from South Africa and India about how business can promote development under difficult circumstances. We can only wish that all developing countries could enjoy similar business environments to India and South Africa. This would represent a tremendous improvement.

The business of development

Business can also contribute to conducive frameworks and a better investment climate. No one knows better than business people what needs to be done in this regard. In Africa, where such an environment is so often difficult, the Commission has decided to listen to the policy changes the private sector is advocating, and to support their implementation.

In Brussels in November 2006, the first EU-Africa Business Forum was launched with this in mind. A second Forum took place in June 2007 in Accra, Ghana. During both meetings 150 business leaders representing big multinationals such as Nokia, Microsoft, Unilever, BHP Billiton or SABMiller, met with African SMEs and business associations to discuss the best ways to promote investment in Africa. These leaders created a core set of recommendations to be implemented at the earliest opportunity by African countries and donors.

The EU-Africa Business Forum will meet once a year as a platform of discussion on how to improve the business environment. It will also offer business leaders the possibility to meet and discuss their priorities with the African Union and the European Commission in order to seek their incorporation in national and regional programmes. It is hoped that the Forum will constitute a powerful catalyst for investment promotion by changing the negative image of the African continent.

A partner in change

But influencing reforms is not the only way business can contribute to the promotion of an environment conducive to economic growth. Business can also directly participate in key elements of development such as infrastructure and service provision. In many developing countries limited access to transportation and communication services, energy, water and sanitation is a major constraint to economic growth. These limitations, together with the existence of missing links in cross-border connections and regional networks, mean that trade often becomes uncompetitive and the exploitation of natural resources unprofitable.

To broaden our field of activity beyond support to developing countries' national strategies, in April 2007 the European Commission, together with the European Investment Bank (EIB), launched the EU Infrastructure Trust Fund for Africa. This fund is an innovative way for leveraging loans from the EIB and European development finance institutions by providing grants from the Commission and member states. This should contribute to lowering the final costs of new infrastructure for the investor. The Trust Fund also helps enhance cooperation between the Commission and EU Member States toward the goal of investment in African infrastructure.

A third area where business is playing an increasing role is as a catalyst for development in their sectors of activity. A growing number of international corporations are disseminating information and technology flows in their sectors. Some organise SMEs in their supply chains, helping them access expertise and finance and promote business linkages. Promising experiments are being conducted by the Shell Foundation and Unilever in Southern and Eastern Africa.

But corporations are not only active in their own field. Their development role is needed in other sectors such as health, education and the environment. The heavy burden of disease prevents economic development, particularly in the poorest countries. AIDS, tuberculosis and malaria account for the biggest portion of this burden. Given the availability and quality of medicine and technology, there is no reason why the lack of access to prevention, treatment, care and support should continue to halt economic growth. The private sector has the incredible potential to address, together with representatives from the public sector, these inequalities.

Responsibility in action

In the last few years the private sector has produced remarkable results in terms of resource mobilisation, in-country support to health-related initiatives, increased access to medicine and advocacy at the national and global levels.

The European Commission commends the efforts of the Global Business Coalition in bringing together the business community to jointly fight these three diseases. The results achieved are promising and will hopefully improve over time. In less than six years, this global initiative was able to save millions of lives and considerably improve the existence of millions more.

The Global Fund to fight HIV/AIDS, Tuberculosis and Malaria represents one of the greatest examples of public-private partnership in the healthcare sector. The founders of the Global Fund strongly believed since the beginning that without the joint efforts of national governments, civil society and the private sector, there would be no progress in halting the world's three deadliest communicable diseases.

The role of private business in healthcare has not only been confined to resource mobilisation. Over the years, private businesses have been able to provide remarkable contributions through relevant pro-bono services in different areas, from strategic policymaking to proposal development to programme implementation. However, additional efforts are expected from the private sector in terms of its capacity to provide more substantial cash contributions. The need for resources is enormous and public donors alone cannot meet the expectations of the millions of people in need.

Building the structures of society

One area where the business contribution is also key for development is in the fight against corruption and for the enforcement of good governance practices.

A growing number of corporations adhere to ethical and social principles embodied in various international codes of conduct such as the Extractive Industries Transparency Initiative. One cannot overemphasise the importance of such codes as the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises or the UN Global Compact in promoting ethical behaviour, the application of certain principles like the suppression of all discrimination in employment, the abolition of child labour, the respect of environment standards, and the fight against bribery and corruption.

The Commission wants the EU to become a champion of CSR and is favourable to the dissemination of these principles outside the EU, particularly in the field of its development policy, in order to maximise business contributions to the attainment of the MDGs. But these codes are applied on a voluntary basis, even if some international treaties like the Cotonou Agreement include provisions relating to the respect of labour norms and fundamental social rights.

Some, especially in the European Parliament, want to go a step further by creating an ethical label that will be only awarded to enterprises that respect social and ethical standards. This would enable such enterprises to participate in the tendering procedures organised in the framework of EU development cooperation.

This could be an interesting development, provided it can be implemented to include sub-contracting firms. Commission services are exploring the implications of this proposal. The EU-Africa Business Forum has also recommended the establishment of a network to disseminate the best CSR practices and win a wider African audience to its principles.

II – Case studies

The Tata Group

Anant Nadkami

Tata in context

The Tata Group is India's largest conglomerate with 95 companies and an annual turnover of USD 38 billion. The Group employs 250,000 people and has operations in more than 40 countries across six continents, exporting products and services to 140 nations. Tata spends about EUR 60 million annually on corporate social responsibility. The group takes the name of its founder, Jamsetji Tata. It is currently in its fifth generation of family stewardship. The Tata charitable trust holds 65.8 percent of the ownership of Tata Group.

The three oldest Tata companies are:

- Tata Steel: Established in 1907, Tata Steel is Asia's first and India's largest private sector steel company. Tata Steel's main plant is located in Jamshedpur in the state of Jharkhand. It has a capacity of approximately five million tons and employs 45,000 people. Tata Steel has increasingly become a globalised company with operations and acquisitions in Asia, Europe and Africa.
- Tata Power is an amalgamation of two entities: Tata Hydroelectric Power Supply Company (1911) and Andhra Valley Power Supply Company (1916). Tata Power is now the largest private power utility in India. The company has served Bombay (Mumbai) with hydroelectricity for 90 years, the hydroelectric power stations being located in the Western Ghats in Maharashtra, accounting for 1,797 megawatts.
- Tata Motors: Established in 1945, Tata Motors is India's largest automobile company. It began making commercial vehicles in 1954 with a 15-year collaboration agreement with Daimler Benz of Germany. The company is the leader by far in commercial vehicles in each segment, is the second-largest in the passenger vehicles market, and is the world's fifth-largest medium and heavy commercial vehicle manufacturer.

The Tata Group is unique in India not only because of size, but also because of national importance and business philosophy. The Tata Group has played a pioneering role in a variety of fields after India's independence. This matches with what Tata's founder, Jamsetji Tata, said at the annual general meeting of the first Tata company in 1868: 'Community is not just another stakeholder in our enterprises, but is in fact the purpose of the existence of our business.' The aim of the company is thus to improve the quality of life of the communities it serves, including its staff, their families and the communities in the vicinity of its operations. Tata Steel, for example, spends up to 20 percent of its profits before tax on social investment projects.

As corporate social responsibility (CSR) – or, as Tata prefers, corporate sustainability – has become globalised, the company is increasingly systematising and professionalising its activities. In general, social development at the Tata companies starts with the staff, then expands to their families (for example, by supporting the establishment of industrial cooperatives in the supply chain to create further employment opportunities for the families) and finally reaches out to the villages and communities in the vicinity of the company's operations.

The latter is especially relevant for the operations of Tata Steel and Tata Power in remote rural areas, where disparities and poverty are very high. In the new state of Jharkhand, where Tata Steel has its main operations, the performance of the new government is very weak and disparities in rural areas remain extremely high, leading to increasing political violence – the Naxalite movement.

The Tata Council for Community Initiatives

At the Tata Group level, the most recent initiative is the Tata Council for Community Initiatives (TCCI), which has been established as part of the Tata Services Group. A centrally administered agency that helps Tata companies through specific processes, TCCI's charter embraces social development, environmental management, biodiversity restoration and employee volunteering. The TCCI is a body to think strategically about impact and strategies for community development, building on the experiences in the Tata Group. Since its start – which was also triggered by the Global Reporting Initiative standards – TCCI has developed a scoring system for reporting of community initiatives. The TCCI comprises 45 CEOs of Tata companies who meet twice a year to give direction to Tata's corporate sustainability actions.

Tata Steel, meanwhile, extends support to the economically underprivileged not by charity but by strengthening and empowering them with expertise and knowledge. Its community outreach programmes cover the Tata Steel managed city of Jamshedpur and over 600 villages in and around its manufacturing and raw materials operations. The Tata Rural Development Society carries out professional development work in the field of health, sustainable livelihoods and education, among others. Tata Steel is one of the first members of the United Nations Global compact.

Tata Motors undertakes many environmental and social initiatives. Its industrial cooperatives are particularly noteworthy. These support the families of staff members to form industrial cooperatives, providing products and services in the Tata Motors supply chain. Additional employment and income opportunities are thus created.

Developing a deeper understanding

Tata has learned many lessons and has developed a deep understanding of the issues surrounding business and development. Every year, representatives of the companies come together in an 'annual workout'. Certain themes are discussed, and several points can be drawn from this about how business can position itself in alliance with development agencies in working partnerships.

One key issue is political self-interest, which has always been a challenge. It is necessary to create new incentives. There have been reforms in India, but their implementation has been inept. There is also corruption in the system, which means that the system itself becomes an obstacle, although growth should be inclusive for all. Is there something wrong with the Indian model of growth that means the system does not change as fast as it should? Nevertheless there have been improvements in some areas. But especially at the local and state government levels a great challenge remains.

Social histories can also get in the way in India, as they keep people from trusting each other and working together. Getting people to work together is another big challenge. There are also control issues that are very feudal to the nature of Indian society, and changes in the law are not going to change things overnight. The prime example of this is the caste divide. This seems strange to the outside world but it is a big reason why the Indian government struggles to get the marginalised sections of society included in employment.

Other issues that businesses face are well-known, such as illiteracy and lack of education among socially-excluded groups. It is necessary to understand what stops people from wanting to learn and be independent. This remains a big challenge at the local level in India. The facilities and money are there for social inclusion, but often there are no takers. People will come and take charity, but it is harder to make outreach programmes sustainable.

Business and communities: four levels of involvement

Tata has, over time, seen a four level maturation of what business can do for communities. On the **first level**, when Tata companies have worked alone, they have contributed more to industrialisation than to development. Many rural jobs have been sacrificed and urban jobs have been created, and therefore rural economies have broken down. This has led to problems such as farmers committing suicide. It is a real challenge for business, however important it might think it is, to have a development perspective. Charity is much easier, because a business working alone does not understand development, but it can offer chequebook philanthropy.

On the **second level**, business works in partnership with government. Of Tata's profits, 66 percent are kept in trust or given back to the community, and this gives a degree of moral authority. But government in India, which is a state-driven government with a socialist background, wanted to transform industry into its welfare arm. This has led Tata to provide social services, such as hospitals and schools, for its employees, for example around the Tata Motors Jamshedpur factory. But business should look at things differently and not compete with government to deliver services; companies are there to make profits – it took Tata years to understand that profit is not a dirty word.

The **third level** came about when NGOs began to play a role, and when business, government and NGOs began to develop a private-public partnership approach – though the term 'partnership' is too task-oriented; it says that there is certain work to be done, then it is finished. The business approach is to create tasks and targets in partnerships. NGOs add a certain sensitivity to this, which has helped Tata to innovate – literacy programmes are an example of this. Technology can also help, as using it one can look beyond profit and innovate for the poor. One Tata company, Tata Interactive, used its competences in eLearning to bring in a programme that will hold the attention of a child with learning disabilities, where conventional methods would fail. There are many similar such examples where NGOs and business have combined.

But there is a further – **fourth** – level of understanding. At this level business interacts with a multi-stakeholder alliance towards development. This approach has development as its primary focus, and community is at the centre of the approach, and is in fact the purpose behind the existence of the alliance.

Because of this Tata decided not to employ the term 'corporate social responsibility' because it makes it sound as if business confuses its role with that of the social sector. Tata thus introduced the term 'corporate sustainability.' 'Corporate' because businesses are not social NGOs or development agencies or governments. 'Sustainability' meanwhile has three parameters: it means whatever is done should be enduring, should serve a larger purpose, and should become meaningful for the actors involved.

In summary, the main aspects of Tata partnerships are:

- Partnerships are seen as key for the sustainability of Tata's business;
- Partnerships directly involve the company and are not 'chequebook philanthropy';
- Strong direct ties are established with communities and with company staff;
- Professional organisations for social services have been established;
- Partnerships encompass all levels from local to national;
- A systematic learning exercise has been established around the company's activities through the TCCI.

DaimlerChrysler India

Suhas Kadlaskar

DaimlerChrysler and CSR

Corporate social responsibility (CSR) for DaimlerChrysler India is definitely not about donations, charity or philanthropy. We strongly believe CSR is a business opportunity. There are three major pillars to CSR: economic responsibility, ecological responsibility and social responsibility. DaimlerChrysler India tries to address all of these pillars of CSR in its projects.

CSR is the integration of social and environmental concerns in business operations. It is part of day-to-day business. Unless companies do something good for the society in which they operate, they will not be able to sustain themselves.

In India, DaimlerChrysler is still a small company, with around 400 employees. It is one of the first auto joint ventures set up in India, having started in 1994 in Puna with Tata for production and sales of Mercedes-Benz passenger vehicles.

DaimlerChrysler applies the 'Principles of Social Responsibility' and an 'Integrity Code'. It is one of the founding members of the United Nations Global Compact and has numerous initiatives worldwide to demonstrate the application of these principles. DaimlerChrysler India applies the same principles. There is no specific CSR team, but CSR is integrated in the operational business and coordinated by corporate affairs. For safeguarding CSR in the value chain, DaimlerChrysler partners with the Confederation of Indian Industries.

In selecting CSR projects, DaimlerChrysler chooses areas where companies can have a clear role, but where there is also a community benefit. Projects should be win-win situations – not donations. Unless corporate partners are involved in CSR activities, projects will be unsustainable. DaimlerChrysler initiates, facilitates, coordinates and monitors projects, in partnership with government, NGOs and other corporations. It is important to respect the expertise of different partners for projects to succeed.

It is also important to ensure high visibility for projects. This is not a question of marketing. Visibility helps ensure the multiplying effect of the project, which is important in a country as large as India.

When working on projects with partners, DaimlerChrysler focuses on sustainable mobility and education. Three specific project examples can be given:

The benefits of jatropha oil

One of India's biggest challenges is maintaining energy supplies in a situation of increasing carbon dioxide emissions. There is also a significant problem of unused or wasteland, which may be owned by poor farmers who do not have the resources to make the land productive. DaimlerChrysler decided to put in place a project that would address all three of these issues.

The objective of this project is to test the oil from the jatropha vegetable plant. This can grow on eroded soil and requires limited water. It produces a fruit which can be used to make oil, which can be converted via a simple process to low-emissions biodiesel (particulate matter emissions are 70 percent less than traditional fuel). Jatropha cultivation thus has the potential to contribute to wasteland rehabilitation, increase rural incomes and self-reliance, increase availability of fuel and to reduce emissions.

The project partners are: DaimlerChrysler India (project coordinators); the Central Salt & Marine Chemicals Research Institute in Bhavnagar, who are responsible for plant testing and improvement and for the process to make neat biodiesel; the University of Hohenheim in Germany, which played an important role in brokering the partners and scientific support, and contributed specialist knowledge; and the government of India soil laboratory and chemical research institute. Part-funding for the project came from the German government (the German Investment and Development Company – *Deutsche Investitions- und Entwicklungsgesellschaft*).

In principle wasteland throughout India, even in remote areas, can be reclaimed for cultivation so farmers can generate income from crops that produce good quality biodiesel. Other bio-products, such as glycerine and glycerol, can also come out of the process. There are thus social and economic benefits. The project can be scaled-up, even to national and international levels.

The project is based on a very clear idea of what each partner can do. DaimlerChrysler's role is to test the biodiesel across the country using DaimlerChrysler cars. The success of the project has been such that many other companies and government agencies have started to pay attention. Project visibility was achieved by taking the test cars across the country and holding a press conference in each city, as well as through meetings with government authorities and local NGOs. The project promoters met more than 400 journalists, resulting in many articles and discussions. The project has been technically successful but now the challenge is to convert it into a viable, scaled-up business model while respecting the farmers involved.

A production line for engineers

India has many technical colleges and schools, producing 250,000 engineers every year. But only five percent of them are employable because what is taught in the schools is far away from the market's needs. DaimlerChrysler began to address this, but then started to consider how the knowledge could be transferred more widely. A collaboration therefore began with the state government of Maharashtra to develop a programme that would be run by DaimlerChrysler.

The result was the Advanced Diploma in Automotive Mecatronics (ADAM), in cooperation with the Pune Polytechnic Institute. It is a one year course designed to close the gap between the needs of the market and the current educational situation in India. All of the graduates from the first batch to pass the programme have found employment. The programme started in Pune, but the objective is to scale it up and involve other cities

DaimlerChrysler initiated the project, selected the partners, and is still actively involved in the training by providing the content, training expertise and material. The Pune Polytechnic Institute provides the faculty and infrastructure. The German government's Centre for International Migration provided funds for a trainer. Training capacities are very limited so far (16 students per year), while demand is very high, but expansion plans are underway.

Mobile Kids

India has a very high rate of road accident casualties and deaths, with many child deaths. Driving habits could be improved but it is equally the case that children often lack road sense. DaimlerChrysler India therefore developed a mobile road safety programme aimed at children. Mobile Kids is in fact an international DaimlerChrysler programme, but in India it has been tailored.

A booklet in local languages has been produced and school campaigns and competitions including media coverage organised. The project leaves ownership with the schools, involving teachers and parents. At DaimlerChrysler the project is conducted by a team of volunteers. To implement the project and to select schools, DaimlerChrysler cooperated with government agencies and local NGOs. The rollout started in 2005, covering Pune, then extending to Delhi in 2006 and Chennai in 2007. In each city five schools and 500 pupils were covered. These children took part in road safety classes, that were designed to be fun. The lessons last for a three month period, at the end of which there is a competition, the winner of which is given a prominent award. The winner and the winner's family also get a chauffeur-driven car for a day.

The multiplying effect has been significant because children speak to their friends about the classes. It is planned to rollout the programme to ten more cities in the next two to three years. For road safety it is important to catch young people young, at the age of 8-11.

DaimlerChrysler's experience of partnerships in India shows how DaimlerChrysler strives to be part of Indian society and hence intends to integrate and contribute. DaimlerChrysler's contributions are also closely linked with the profile of the company as an innovative and high-end car manufacturer. The partnerships encompass various roles and levels, and all aim at final ownership for the partner, while the role of DaimlerChrysler is to initiate, contribute skills and innovative know-how, as well as its technical reputation.

Hindustan Unilever

Vijay Sharma

A rural network for development

Hindustan Unilever Limited (HUL) is the largest consumer goods company in India, and it believes that the corporate sector can and should contribute to social development. But such actions can only be sustainable if there is a business case.

The company's roots in India go back to 1931, when Unilever set up its first Indian subsidiary, Hindustan Vanaspati Manufacturing Company, followed by Lever Brothers India Limited (1933) and United Traders Limited (1935). These three companies merged to form Hindustan Unilever Limited in November 1956; HUL offered 10 percent of its equity to the Indian public, being the first among the foreign subsidiaries to do so. Unilever now holds 51.55 percent equity in the company, with the rest of the shareholding being distributed among 380,000 individual shareholders and financial institutions.

HUL's brands spread across 20 distinct consumer categories including soaps, detergents, personal products, tea, coffee, branded staples, ice cream and culinary products. They are manufactured in over 40 factories across India. The company employs more than 15,000 people, its operations involve over 2,000 suppliers and associates. HUL's distribution network comprises about 4,000 redistribution stockists, covering 6.3 million retail outlets reaching the entire urban population, and about 250 million rural consumers.

HUL and development

As well as the Shakti Programme, which the New Partnerships project studied, Unilever has many other projects and interventions in India. There has been discussion about moving beyond charity and philanthropy, but these still also have a role to play, for example in disaster relief. There therefore remains an important role for charity. Unilever also works on issues such as water and environment, fighting malnutrition, health and hygiene, and social and economic empowerment. The Shakti Programme in particular is about the empowerment of women.

Making a sustainable CSR impact requires working on issues where there is both a business case and a development case. How can we align the business goals and the development needs? The greater the area of interaction and integration between the two, the greater the likelihood of sustainability, and that the project will make sense for both business and communities.

Shakti really links the business and development cases. It is accordance with the Unilever vision of adding vitality to consumers' lives, and it supports the Millennium Development Goals. To understand how Shakti works, it is necessary to have a picture of what rural India is like.

One out of every eight people on this planet lives in an Indian village: that is the size of rural India, and there are huge differences compared to urban India, where around 30 percent of the population live. However rural India is not homogenous. There are some 640,000 villages, around 85 percent of which have populations of fewer than 2,000 people. This creates a problem for business: in such small communities, how can a business be made successful and sustainable? This is also an issue for NGOs and government agencies. India is thus a country of lots of small scattered villages.

Business models consider two main aspects: the size of the market and its accessibility. Small villages that are difficult to reach thus present a difficult market. There is thus a need to look at a different business model. This is where Shakti comes into play.

From a business point of view therefore, the issue is how to go into underserved or unserved markets. There are three main challenges, which NGOs and government agencies also face:

- Lack of physical infrastructure makes the places hard to reach.
- Communication is hard because of lack of media in rural India. HUL is a brand-driven company that needs to engage consumers, but in rural India this can be difficult.
- The habits of the potential consumers in rural India need to be changed in the face of long-entrenched traditions.

Shakti is an attempt to manage these challenges by acting through a network of local distributors.

Why do the poor stay poor?

From a development perspective, the question must be asked why the poor really stay poor? It is because they are caught in a vicious cycle with low income, low investment and low savings. Formal banking is largely non-existent in rural India, with only 10 percent of villages served by some form of banking. Some work has been done with microfinance – such as the Grameen Bank. About eight million families have received micro-credit, and around three-quarters of these have been able to rise above the poverty line. In these families, 95 percent of borrowers are women, who are more likely to spend their earnings on positive benefits for their families. But is it not microfinance alone that works. In order to break the poverty cycle, micro-enterprise opportunities are needed, which can take the microfinance money and generate positive returns.

Shakti was therefore set up on the basis of providing microfinance and micro-enterprise opportunities. HUL in partnership with NGOs goes to the villages, identifies underprivileged women and appoints them as Shakti entrepreneurs. They are provided with start-up capital (microfinance of around USD 200), and become independent direct-to-consumer sales distributors for HUL's soaps and shampoos. The company provides training in selling, commercial knowledge and bookkeeping to help them become micro-entrepreneurs. There are around 40,000 such distributors across India, covering 100,000 villages.

The average economic impact is that the income of the distributor rises to around 700-800 rupees per month, which represents a doubling of income on average. The work as a distributor can also be done in spare time alongside an existing job.

Shakti Vani

Shakti also includes health and hygiene education through the Shakti Vani Programme, which involves the recruitment of women from smaller towns. They are trained on how to communicate with the community on health and hygiene and on women's empowerment. They do not sell any products, since Shakti Vani is an awareness-raising channel. This approach is important because every year in India some 600,000 children die because of diarrhoea – something that can easily be tackled. Half of these deaths could be avoided by following more rigorously basic hygiene practices. The concept of germs per se is something alien in much of rural India. Shakti Vani has covered around 40,000 villages in the last two years.

It has been found that when Shakti Vani rolls out, the market for Shakti entrepreneurs grows, benefiting the entrepreneur herself, as well as HUL.

HUL is also working on iShakti, though it is still at pilot stage because the business model has yet to be established. It involves installation of computers in the homes of Shakti entrepreneurs, with access to a community portal in the entrepreneur's local language. The portal gives information on agriculture, health and includes other educational modules. Work is being done on developing the model and moving iShakti forward.

Shakti now covers 15 states in India, directly reaching to 150 million rural consumers. By the end of 2010, Shakti aims to have 100,000 Shakti entrepreneurs covering 500,000 villages, touching the lives of over 600 million people.

The programme has an economic and social impact for the entrepreneurs, and has resulted in creation of a huge infrastructure of people which is geared to moving far beyond what Shakti has done so far. For example, one target might be that in a Shakti village, no child should die of diarrhoea. This approach will also involve government agencies and NGOs. Shakti has created benefits for HUL: providing credible endorsers of its products and increasing distribution to new markets. It has helped in deterring counterfeiting as well.

In summary, poverty is not about low incomes; it is essentially about deprivation of basic capabilities. People can either be seen as resources or liabilities: HUL chooses to look at them as resources.

Questions and answers

Question from the floor
HUL's strategy includes environmental and social aspects, but through the Shakti programme HUL sells products in villages that may not have the infrastructure to deal with the waste from the products, and to stop detergents from getting into local water supplies, for example. Is HUL looking at the impact of Shakti beyond the creation of employment?

Response from Vijay Sharma
Environmental impact is a concern and is on HUL's radar. Overall, the health benefits of using soap, for example, outweigh the disadvantages. In terms of plastics and packaging, this waste is being created from many sources, including cigarettes or any

other product. So waste management is a huge question; recyclability needs to be encouraged.

However it is also a question of priorities, and the foremost problem that needs to be tackled is basic hygiene, lack of which causes unnecessary deaths, especially among children through diarrhooea. This is an immediate problem, and is HUL's focus as of now.

Furthermore, the Shakti network can also be used for tasks other than distribution. HUL is working on environmental restoration through a project called Eco-Shakti. This aims to leverage the network to create a positive environmental impact – plans for this are being put in place. The consumer is being incentivised to return used packaging. But this is a habit that needs to be created, though a start has been made. But HUL feels that saving lives today is the priority.

Contribution from Anant Nadkami

Tata experienced a problem in its child malnutrition programme, in which HUL is also a partner. Soap and detergents can reach the most remote tribal areas of India, but it is far harder to distribute life-saving medicines for children. So the question was asked of how a supply chain mindset can be adopted by the government to do this work? This includes introducing waste management mechanisms. There is a limit to what can be practically done. The main need is to have a breakthrough in the thinking modes of villagers, but this is difficult.

Question from the floor

Can you quantify your progress? How far and how fast is outreach going into India?

Response from Vijay Sharma

There are benchmarks that can be used: how many Shakti entrepreneurs; how many villages covered. There are 40,000 entrepreneurs covering 100,000 villages. Earnings can also be measured: on average, entrepreneurs generate about USD 16 per month. The aim is to increase this to USD 20-25. Another aim is facilitating health and hygiene. With this, it is harder to have a sense of what is happening across 40,000 villages. But surveys have shown that awareness of diseases has gone up from as low as four or five percent to close to 45 percent. Subjective parameters are harder still to measure: increasing confidence and self-esteem levels among the people involved in the programme. HUL is working with the University of Michigan to put together a framework that can measure more subjective elements, though there is anecdotal evidence.

Question from the floor
What happens with products that are not sold?

Response from Vijay Sharma
The beauty of Shakti is that if the entrepreneur does not earn, HUL does not earn. So it is important for HUL to do what it can to take care of the entrepreneur. New entrepreneurs coming into the system are visited weekly by an HUL person, for training. Over time, the frequency of visits can decrease. During the visits, any issue can be discussed – for example, stocks not moving, or damaged stock. Returns and replacements can then be organised.

Question from the floor
What have your experiences been of recruiting new entrepreneurs with the assistance of NGOs?

Response from Vijay Sharma
Our relationship with NGOs varies. There is a huge amount of corruption. Not all NGOs are cause-related. In the region of 70-80 percent of NGOs are corrupt in some way. Great caution therefore needs to be exercised in choosing partners.

At the village level, the Shakti entrepreneurs are not queuing to join. HUL needs to visit a village three to five times to explain the project and give references. The reason for this is that the villagers do not automatically possess the required skills. Most villagers are landless labourers; they have not been distributors. Skills of accounting and selling are completely new to them, and they are hesitant. Visits to villages to explain the project are done alongside NGOs or government agencies, who have seen the project succeed elsewhere. The recruitment process is speeding up however, as word spreads.

BMW South Africa

Founded in 1922, BMW is one of Germany's leading automobile manufacturers and has 106,600 employees globally. BMW South Africa was established in 1973 with production concentrated at the Rosslyn Plant near Pretoria. BMW has a long tradition of engagement in development projects. Since BMW South Africa is well known for this, it is continuously bombarded with project proposals. The company's motivation is not only to increase its public profile but also to genuinely help people and be a good corporate citizen. BMW strives for its projects to have significant impact on the lives of South Africans. BMW is no longer engaged in charity projects and is against simply writing cheques. It believes in long-term engagement, which ultimately has greater benefits for its corporate profile.

BMW presented the following projects as part of the New Partnerships project:

- BMW HIV/AIDS Programme
- BMW Maths and Science Programme
- BMW Seed Programme

BMW HIV/AIDS Programme

This programme was at first focused on BMW's own workforce and was not seen as part of its Corporate Social Investment (CSI) approach. The programme is unique because it was developed in conjunction with its employees and therefore has a high degree of ownership among the staff. Before a thorough consultation with the staff, a research project was carried out in order to lay a robust scientific basis for the programme.

Today BMW's HIV/AIDS programme is one of the most successful corporate programmes in South Africa, and is highly valued inside and outside the company. The programme monitors the HIV/AIDS status of 96 percent of its workforce which currently has an infection rate of 6 percent. The low infection rate is partly a result of the company's programme, and partly due to the higher education and social status of its workforce. Staff suffering from HIV/AIDS are continuously supported psychologically, socially and medically, and their conditions are dealt with confidentially. Staff with AIDS are put on a medical treatment plan with a high success rate of reintegrating them into the labour force.

BMW has begun to extend the programme to the employees' families and to reach out to their dealers and suppliers. They will push their dealers and suppliers to start similar HIV/AIDS programmes and will provide the training and support necessary to start such a programme.

The material benefits of the programme are unclear. However, through the programme BMW has developed a very positive reputation and gained enormous trust among its staff. This culture of trust and security leads to better relationships with trade unions and improved performance of other programmes targeted at the firm's workforce.

BMW Maths and Science programme

This programme is a response to one of South Africa's key development problems, namely the shortage of people with maths and science skills. BMW`s support of maths and science matches the development priority of a country with an insufficient number of engineers. The objective of the project is to excite students about maths and science and improve their examination results. The programme covers 12 schools – four high schools and eight primary schools – and a total of 1200 students, 72 primary school teachers and 20 high school teachers. The schools were selected in agreement with the Department of Education, choosing schools that already reached a good level of performance. BMW funded the development of the project, of the teaching methodology and material, as well as the training of the teachers. Part of the training was provided by BMW staff.

At schools adopting the programme, exam performance was 12 percent to 24 percent better than in ordinary schools. The programme has also encouraged more young people to study maths and science. Moreover, it has created a competition between schools that want to become a BMW school, extending the outreach beyond schools that have adopted the programme. In this respect, managing expectations could be an issue for BMW. However, BMW would like to create a dynamic in the provinces through the schools using the programme that the government could later use to scale up maths and science education for the entire country.

BMW Seeds Programme
Started in 1999, this programme has supported 49 schools in creating their own vegetable gardens. Most South African Township schools are in terrible condition, with poor performance and bad reputations. The project is meant to create pride in each school and cultivate a spirit of self-sufficiency. BMW has given limited funding to this programme, instead focusing on training students and teachers on how to start and manage their gardens. BMW has committed its staff members fully to the Seeds project. The vegetable gardens provide income for the schools and food for the students, but also form a basis for scientific and environmental training. Moreover, the students are encouraged to start gardens at home and also bring their parents to help in the school garden. Furthermore, the students are encouraged to recycle water and create a compost bin. Because of these things, the schools develop into resource centres and bring a positive spirit into the townships.

One example is the Hensantri Primary School. This school with a poor reputation started the project seven years ago with 250 students and eight teachers. Today, the school has an excellent reputation and 780 students. The Seed Programme created a positive dynamic where other donors, such as the Japanese government, contributed additional school buildings, while HewlettPackard donated computers. Eventually, the government also helped establish a kitchen and a cafeteria. BMW has successfully combined its Math and Science Programme with the Seeds Programme. BMW regularly evaluates and rates the schools according to their performance and gives awards to the best performers. This has created a large network of schools in the programme. Schools outside the programme have attempted to improve their performance in hopes of becoming a BMW school. The Seeds Programme is currently a widely recognised programme in South Africa.

Siemens South Africa

Greg Gibbons

Transforming a society

In development, everything is context driven. South Africa, because of its early and more recent history has a number of unique challenges. These relate specifically to development and also to the role that organisations can play.

Siemens is a global multinational of German origin, with over 470,000 employees across the world – so really quiet massive. The core competence is electrical engineering and electronics but Siemens has a very diverse portfolio within that. The essential business model is business-to-business, infrastructure orientated. This in itself has no impact on what Siemems can and cannot do with regards to development projects.

Certainly South Africa is a society in transition. The first democratic elections were only in 1994. It is clear that huge strides have been made since these elections. But many socio-economic challenges remain to be addressed, such as poverty and skills. While the economy was still controlled by the white minority, about ten percent of the population owned about 90 percent of the economy. So after 1994 there was a lot of work to be done, and much remains to be done. The government knows this but they also know that it is not necessarily a task they can do on their own. They view business as a key partner in the whole transformation process. The term 'transformation' is probably slightly broader than the concept of development, but it in South Africa's case it denotes the transforming of a society from what it was to something far more representative.

South Africa now has what is called broad based black economic empowerment, which is enshrined in legislation. Under the legislation there is monitoring of how effective organisations are in being committed to the transformation process. Codes of good practice have been defined, with seven pillars, the aim being to break the objective down into segments for transforming society:

Seven pillars

1. Equity shareholding, whereby companies are encouraged to sell shares to a local empowerment shareholder. Siemens Southern Africa has sold 30 percent of the company, which was owned by Siemens Munich, to two local empowerment shareholders, which now each hold 15 percent of the organisation, and have board representation. True transformation of an economy can only happen when the means of production is transferred, so this is one of the important pillars of the code.
2. Management control: this can be difficult to define but relates to the idea of empowering local shareholders and enabling them to interact with the core business, so that shareholding is more than window dressing. Management control is about how people can have access to the controlling functions of organisations.
3. Employment equity, otherwise know as affirmative action. This is about ensuring that all the levels in an organisation represent the reality of the demographic structure in the country. In this respect Siemens has set itself some key targets. Siemens aims for its middle management levels in South Africa to be 60 percent representative, meaning black, and senior management levels to be over 50 percent representative in the next few years. Guidelines for this exist in South African legislation but there is latitude for organisations to interpret the law locally. So Siemens has it own targets within the broad guidelines.
4. Procurement: this should be directed at procuring goods and services from other empowered companies, creating a knock-on effect. Siemens found that it was not easy to find sufficient empowered suppliers in South Africa, but great strides have been made and sixty percent of Siemens' procurement contracts are with black economic empowered suppliers.
5. Enterprise development: this means encouraging the growth of new locally-based businesses within the multinational's sector. Out of the seven pillars, Siemens has had the most difficulty with this one, because of the technological complexity of what Siemens does.
6. Skills development: this is a very important in South Africa. The government has made a financial commitment to infrastructure development, but in many cases there are not enough skilled people to get projects up and running and to make them sustainable. Therefore if Siemens wins a government contract, it is necessary to ensure as part of the winning bid that a skills transfer can take place to the local level.
7. Corporate social investment: this is an obligation that is closer to the idea of

traditional chequebook charity or corporate social responsibility than the other pillars.

The seven pillars are very important, because companies are rated on performance against what is known as a broad-based black empowerment scorecard. This awards 100 points maximum, with each of the seven categories having a weighting out of the 100 points. In order of importance, corporate social investment ranks lowest, with only five points at stake, because it does not necessarily have a substantive knock-on impact in terms of long-term skills transfer.

Examples of Siemens projects
In terms of corporate social investment (CSI) activities, Siemens focuses on three areas: public welfare, education, and arts and culture.

Public welfare – Youth Space
Youth Space originated from a local need to provide a new homes for children with problematic backgrounds. These can be children that have previously been living on the streets, or are orphans, or come from broken homes, or have run away from home The project started in 1994 when Siemens opened its own child care facility in a normal apartment with 10 children. Today Siemens has partnered with an NGO called Abraham Grill and together they run seven child care houses close to different Siemens operations in South Africa.

Siemens also supports the Abraham Grill Foundation, which has more than 100 years of tradition in child care in South Africa and runs a number of child care homes with more than 700 children. The average Abraham Grill child care homes are larger campuses with 50 and more children. The Siemens satellite house concept is run in normal houses with up to 10 children and are therefore more similar to normal homes. The Youth Space houses are run by Abraham Grill in close cooperation with Siemens. The Siemens staff stays very involved in the operational management via the house committees. The entire budget for the Youth Spaces is provided by Siemens and the houses are Siemens property. The entire approach and the concept is coordinated with the responsible government authorities.

NGO´s have a very positive picture of the Youth Space project and they consider it a high impact project with positive effects on Siemens reputation. The high level of engagement of Siemens staff is one of the success factors which has also a very positive feedback inside the company. The challenges at the beginning of the project were to find a competent social welfare partner and to get the buy-in from the Siemens' staff. The costs of the property and operational costs are also a heavy burden for the Siemens budget. An additional challenge is to get an agreement with the government on the location and the age structure of the Youth Spaces.

The government role is of course important. They provide the legal framework in which Siemens can operate. A lot of the time before a Youth Space can be set up is taken up by intensive negotiations with the local department of welfare in the province concerned to set out the criteria for what can and cannot be done. To give an example of what this can mean in a micro sense: the Youth Space model was to take in children between the ages of 12 and 18 – secondary school level, which is where the biggest need was. The first four houses reflected that model. But a new house in Durban will be opened and the local welfare department did not want that approach. They wanted 18 to 21 year-olds. This resulted in lengthy negotiations, and ultimately Siemens adapted to their local needs.

Education – Inguyizivele school project

Siemens has a global approach to education development, known as Siemens Generation 21. Within this context, in South Africa, there are literacy programmes, and programmes to increase the quality of graduates coming out of electrical, engineering and electronic educational faculties, an issue that is closely related to the Siemens business focus. There is also a skills-development grant programme.

A specific project is the Inguyizivele school project. This was started in very close cooperation with the Department of Education of Gauteng, and in accordance with the requirements that are set out by the government. The objective of the project is to improve the performance of schools in maths and science and is a direct response to the government's call for engagement in these types of projects. The motivation of Siemens is strongly related to its obligations under the black economic empowerment policy, and to its needs for engineers. Siemens will fully sponsor one school (Inguyizivele school) and support four other schools. Siemens sponsors equipment, school maintenance and teacher training. Inguyizivele school is a very high performance school in maths and science, and is in a township where many Siemens workers reside. The school has 1,575 students, 47 teachers and has a success rate of 83 percent in maths and science, but has problems with equipment and teachers' skills.

The school welcomes Siemens engagement because of the lack of resources (only 60 percent of the parents are able to pay the school fee of 150 rand/year) and significant social problems in the township (45 percent unemployment rate, 144 aids orphans in the school).

For Siemens it is a pilot project and progress will be tracked over the next five years to see if there will be a marked improvement in the school's maths and science results. Thereafter it could be rolled out further. On a global level the investment is not huge, but in South African terms it is quite a lot: about 1.5 million rand/year.

Engagement in arts and culture

Siemens is a corporate member of BASA (Business and Arts South Africa) and supports the organisation. BASA is a non-profit company whose primary aim is to promote mutually beneficial and sustainable arts partnerships that will benefit society as a whole. BASA has a half government and half private structure, and seeks to ensure long term engagement of companies in arts and culture. BASA has positive examples of outreach to young people in the townships, where arts projects helped to prevent conflicts and riots. BASA also promotes arts and culture as a vehicle to find South Africa´s national identity.

Win-win scenarios

How we do define win-win scenarios for business and other partners working in development? The most obvious 'win-win' is risk-sharing. Siemens as a company has a certain amount of latitude, but NGOs, welfare organisations and governments occupy different spaces. For Siemens, it is important to share risk with other competent agencies and organisations.

A benefit for Siemens in South Africa is that investing in CSI-projects helps the company achieve the requirements of the black economic empowerment scorecard. CSI is thus a business imperative. Siemens needs to ensure that it gets maximum scorecard points in the CSI category. This also facilitates the Siemens brand position, so it is classic image-building: something that all corporates do.

A further 'win' factor is building on employee trust and loyalty by getting employees involved. When they become involved, they internalise the projects and take them seriously, which does a lot for internal morale.

NGOs or welfare organisations win because of financial assistance from companies. Welfare organisations always look for extra money to try to do the necessary good work, but they also benefit from risk sharing and added human resources. Siemens employees can have a lot of involvement in their private time, because they enjoy seeing the progress being made. Siemens' involvement can raise the profile of the project or the welfare organisation, which can facilitate the influx of more funding. Welfare organisations can also benefit in terms of improved skills and professionalism.

The same applies to partnerships between business and government.

A further benefit for government is that partnerships with the private sector demonstrate the success of macro-economic policy. It is important that government can show that business is getting involved. Business involvement can act as an endorsement of their policy direction, for example on developing private sector skills and welfare implementation.

Six observations

In conclusion, six main points can be drawn out in terms of business and development in South Africa:

1. There has been a lot of debate around the word 'partnership'. From Siemens' perspective they can only succeed if they are embraced in the true sense of the word. That means dividing tasks according to competence and means. No one partner can do everything. It is a question of balancing competences according to what partners have to offer.
2. In South Africa CSI has become a business imperative. It is not a question of ticking off items on a scorecard. It is a case of recognising the development need in the country. But the legal framework means there is an added incentive and impetus for Siemens to contribute to transforming society. In many ways it is easier now that the government has defined measurable transformation and provided the scorecard, so Siemens can measure itself year on year.
3. The challenge of the diverse expectations and objectives of partners is familiar from many types of project. Consequently open and transparent dialogue is necessary to ensure all partners are all pulling in the same direction. There are of course various levels of commitment and skills. Some of the welfare organisations Siemens partners with in Johannesburg, for example, are quiet competent, and a history of working with them has been built up. In other areas, there is a skills gap. So it is necessary to meet half way and hopefully transfer skills. The same works in the opposite direction of course: Siemens does not necessarily understand the challenges faced by partners.
4. Monitoring the success of CSI initiatives: scorecards enable this to be done from a quantitative point of view. But stakeholders have their own sets of objectives that can also be measured. This can be beneficial if the objectives are not at odds with one another.
5. For the company, brand alignment is vital in the project design phase, as are very comprehensive contractual arrangements. Siemens has made sure that from a legal point of view that it and its partners are protected. Projects should ideally be

sustainable but if it is necessary to walk away, there needs to be clarity. This is also needed for a common communications approach. If this is not clearly defined, the success of a project can be diluted.

6. In the South African context, the role of the development agencies should be examined. There is certainly scope for more cooperation between classic development agencies and some of the existing initiatives, as promoted by Siemens.

Questions and answers

Question from the floor
I was particularly interested in the last point you made, when you talked about the role of development agencies. How would this increased coordination happen?

Response from Greg Gibbons
There is no easy answer to that but the main point is the avenue of cooperation between development agencies and initiatives as promoted by Siemens is not explored at present. Siemens' understanding of what is available from development agencies can be expanded. There may be potential to expand some Siemens' initiatives with the support of development agencies.

Question from the floor
Could the South African empowerment scheme be adapted to other countries, so that the private sector is incentivised and forced to carry out and monitor certain things? Would Siemens have engaged in all these projects if there had not been such a scheme?

Response from Greg Gibbons
We should be careful with the word 'forced', which is too strong. Organisations have the choice to participate or not to participate, and there are different rules for small or medium sized organisations. 'Encourage' is a better word than 'force'. But the model could be used elsewhere. Siemens Southern Africa has offices in Tanzania and Namibia and in those countries Siemens is thinking about selling equity to local shareholders. It is not just a question of equity, but that is a start, especially for multinationals that want to demonstrate local commitment to various stakeholders. The model is good, whether based on legislation or not.

But Siemens' activities also make good business sense. South Africa was hugely divided and the minority controlled the majority. Now we move to a point where the majority is suitably empowered and has access to the economy – which is good for business.

Question from the floor

Would the Siemens initiatives in South Africa be more successful if they did not have to adhere to the Siemens Group CSI global compliance scheme?

Response from Greg Gibbons

No, certainly not. It can be difficult for the company to explain the complexity of the situation to partners, but nothing more than that. The term 'CSI' is not necessarily appropriate. We also like to talk about corporate responsibility, which includes the whole paradigm of governance, corporate behaviour and reporting. It is a financial topic, but also an ethical behavioural topic.

ABB South Africa

ABB is a leading power and automation company that employs about 103,000 people globally. ABB South Africa was formed in 1992 and currently employs 2,400 people. ABB South Africa offers a wide range of technology solutions from a comprehensive product and service portfolio. The commitment of ABB to sustainability includes:

- Black Economic Empowerment (BEE)
- Employment Equity
- Corporate Social Investment
- Environmental Care

Implementing the requirements of BEE, in 2002 ABB facilitated a 20 percent equity sale of its holding and operational companies in South Africa to women-owned and run financial service companies. ABB partners with black-owned companies to develop solutions that include SMEs from the communities it serves and empowers black suppliers. Moreover, ABB has a number of social investment projects underway to comply with its BEE requirements.

ABB South Africa has identified three main areas for corporate social investment:

- HIV/AIDS – support for HIV/AIDS orphans
- Skills development
- Environment

Support for HIV/AIDS orphans

ABB has partnered with an NGO called NOAH in order to find an appropriate way to support AIDS orphans. ABB carefully considered its partner and selected NOAH because of its unique approach. NOAH does not build on the traditional charitable or institutional models of care but strengthens community ability to care for their AIDS orphans. Community networks with small centres (Arks) are established within the community where orphans are provided food, shelter and other social services. Arks are run by women from the communities. Presently, ABB financially supports 4 Arks in townships close to its operations. With the support of NOAH, ABB has responded to a key development problem and the approach of NOAH matches its CSI strategy. By supporting this program, the company strengthens a very successful existing approach rather than starting something on its own.

> **NOAH**
> There are currently around one million AIDS orphans in South Africa and that number is expected to reach a peak of 2.5 million by 2015. NOAH supports the natural coping systems that exist in the communes of South Africa by franchising community-based models of orphan care where motivated individuals from a given community are mentored to set up their own community network (Ark) to care for their orphans and vulnerable children. NOAH's strategy is built on the understanding that the key to success lies in community effort, because the sheer number of orphans precludes traditional charitable or institutional models of care. At present, NOAH supports 33,000 AIDS orphans in South Africa.

Skills Development – Partnership with SSACI

As a Swiss company, ABB is a partner of the Swiss-South African Co-operation Initiative (SSACI). The SSACI emerged from the Swiss Business Council in 2001 and now has 13 member companies. SSACI addresses the following elements in order to ensure successful development co-operation:

- Focus on declared national priorities;
- Close management by development professionals;
- Preference for projects that have potential for systemic impact and sustainability beyond the period of donor funding;
- Emphasis on human development (e.g. education, skills training, mentorship, information-transfer, etc.) rather than on bricks-and-mortar or provision of equipment approach;
- Seeks measurable results, external monitoring, evaluation and impact assessment.

> **Technical skills**
> South Africa has an unemployment rate in the 19-24 age bracket of around 70 percent. Every year 800,000 additional young people enter the labour market but only 500,000 new jobs are created. One of the reasons for this is the lack of technical skills among the young. The government only spends one percent of tax income on skills development for the young.

SSACI has set up a trust fund to which participating corporations contribute, with the Swiss Development Cooperation organisation (SDC) matching the donation. SSACI focuses its support on training and entrepreneurial development. Together with ABB they support four Further Education Training colleges. This also matches ABB's future need for people with technical skills.

The general idea is to produce good pilot projects and to encourage the government to replicate and scale them up. Until now, the South African government has failed to address the problem of the technical skills gap.

SSACI has a very strategic approach that combines CSI with official development cooperation. This unique approach in South Africa could serve as a model for the South African government and other donors.

Environment – Eco-Schools Project

Environmental projects are rarely adopted by corporations in South Africa when they frame their CSI policies. ABB has partnered with WWF to address environmental problems in schools because it is convinced that the young should be aware of the environmental problems that surround them. Moreover, the government obliges schools to include environmental teaching but does not provide the necessary material or training. ABB has chosen five primary schools and supports them in their goal to become eco-schools. The schools carry out seven steps in order to form successful partnerships: establishing a school committee, creating an environmental review, designing an action plan, monitoring and evaluating, developing curriculum, informing and involving and developing an eco-code. At present all ABB schools focus on fresh water. With this project ABB will reach 5,000 children and is convinced it will also have a positive effect on the surrounding communities. The results cannot be assessed at this stage of the project.

Eco-Schools

'Eco-schools' is an international label developed by the Foundation for Environmental Education (FEE). The programme is active in 27 countries. Eco-schools encourage students to take an active role in how their school can be managed for the benefit of the environment. The South African programme is adapted to strengthen the South African Government Education Department Curriculum and support its implementation. WWF South Africa plays a major role in implementation of the project and is responsible for coordinating fundraising, communication and marketing services. To date more than 800 schools have been registered as eco-schools in South Africa.

III – Key recommendations for business and society to enhance mutual benefits from new partnerships

Insights from the New Partnerships project

Susan Bird

Development as the purpose of business

The New Partnerships project and related case studies have given some insights from regional perspectives, from India and South Africa: what were the development challenges in these two countries, and what are the specific business and development perspectives?

From this it is clear that there are a whole range of activities, ranging from corporate social investment on one hand, to, on the other hand, the idea of development being the purpose of business, which is quite a different concept.

Another issue that has come up repeatedly was how can innovative projects developed by companies be scaled up, and what is needed from the different actors, especially with respect to communication between business, government, and development organisations.

The New Partnerships project raised a number of questions that need to be evaluated in the light of the experience from the Indian and South African case studies. During the preparation of the project it was observed that there is a trend of companies getting more directly involved with partnerships for development, while there is less 'chequebook charity'. This raises several questions:

- What motivation do companies and civil society have to get more directly involved together in development projects?
- What are the obstacles and challenges faced?
- What are the positive spin-offs of those partnerships?
- What strategies need to be employed in setting up these partnerships?

A second issue also becomes clear when looking at practical case studies: the question of the impact and sustainability of social investment or development activities. Business acknowledges the importance of this, and the government framework in the country in question also places emphasis on being able to measure corporate activity. So it is necessary to explore how companies measure and monitor the impact of their engagement in partnerships. What experiences are there so far of measuring and observing impacts? What role, for example, do partnerships play in this context? Which role does stakeholder management also play in this context?

The third observation from the New Partnerships project is that there are very innovative and relevant social investment projects initiated by companies, but if you compare these to the extent of existing programmes, the impact is comparatively small. Therefore, how can pilot projects and initial experiences be scaled up? What would the necessary conditions and criteria be when setting up a project and a partnership in order to ensure a high impact of the corporate engagement in order to create a greater impact?

The fourth issue to be explored is the question of the partnerships themselves. There is a lot of interaction between government, business and civil society, but the potential is greater if these partners can meet on an equal level and the potential of the partnerships can be fully realised. How, therefore, can partnerships be enhanced? What concrete measures need to be taken to encourage this, such as legal frameworks? How can the gap between development organisations and business be more effectively bridged? The next sections will address these points.

Results from the parallel groups I: obstacles to partnerships

Felix Oldenburg

Some key questions must be considered in assessing the obstacles to partnerships for development cooperation that are driven by business. Is it true that corporations are becoming more directly engaged in development cooperation? Is it true that they are more strategic about their investments? Is it true that they try to scale up the impact of their development cooperation? Is it true that they are looking for functioning partnerships? If all this is true, then do we have any problems at all here? The major obstacles that might obstruct partnerships are:

- The vast majority of corporations do not really participate in the corporate social responsibility mission. Those that do should serve as role models for the rest.
- Funds are over-stretched and the capacities of the partners from other sectors, such as the public and civil society sectors, are limited, creating a potential barrier to meaningful partnerships with companies.
- The great majority of public sector funding still goes to projects that are developed by the public sector, with companies invited to join after the project has been designed. Where should the initiative come from? At the moment, only very limited funding is available to projects that are initiated by the private sector.
- The skill sets of partners vary: between companies, the public sector, civil society and development agencies.
- Global codes of conduct do not really play a huge role, which is contrary to the common assumptions in the CSR community. In some cases a strong regulatory framework is a very good thing, whereas in other cases, it would not work. Perhaps assumptions about the purely voluntary nature of CSR need to be questioned in some development contexts.

- Finally, there is the notion of the expectations of others, which often stop them forming effective partnerships. Expectations can relate to timing – long term versus short term – and to expectations about the motives for engagement in development projects. For instance, there is a government guideline in South Africa, applying to some of the public-private-partnership financing facilities, that rules co-funding for projects that are too strongly associated with the participating company's core business. From the CSR perspective, on the other hand, that is precisely what would make a good and proper long term sustainable investment for a company. This mismatch of expectations between the sectors remains an obstacle to a greater efficiency.

Results from the parallel groups II: taking partnerships forward

Susan Bird

The functioning of partnerships: moving beyond the short term
Key questions in this respect are what lies behind partnerships, what is their basis, what is the motivation, what are the obstacles and how do they function? One view is that there is short term advantage in certain types of development, according to the motivation of the actors taking part in that development, and according to how it is received on the ground. For instance, in certain communities there might be a wish for agricultural development, but at the same time, industrial development might have a better short term impact. Then the question would be: how sustainable is the short term impact, and should we not be thinking more in terms of long term sustainability rather than short term profit? It may be an obvious point, but it is a very pertinent one. One solution would be to put the short term thinking first and then broaden it into a more sustainable concept.

Short term versus long term
In the context of marketing of brands, for businesses it is important to take account of consumer attitudes and the image of the business portrayed to the consumer, and also to see the consumer as a citizen. Once again there is a short term profit motive, concentrating on the needs of the consumer, whereas a broader view would take on board the needs of the consumer as a citizen.

For companies contributing to development there are conditions attached to their involvement. First, companies have to make profits. Second, when it comes to tackling social issues, it can be difficult to address them because of the cultural context in which those issues are being addressed. On the issue of HIV/Aids for instance; in certain communities this is a difficult, taboo issue. There are constraints in taking a short term approach as well as in taking a long term view.

Measuring the effects

Measuring the impact of activities is important because it provides motivation for getting things done. Financial and social audits can be done, either separately or together. However forcing audits on companies or on consumers is probably not appropriate, because then it would not be 'owned' or identified with. Self-evaluation by companies is preferable as it has greater internal impact if they self-assess, for example, their branding or enterprise strategy.

The role of the public sector

What is the role of the public sector in all this? Should it be a coordinator or should it not be a part of individual initiatives? In certain circumstances, the corporate sector, NGO sector, or the public sector might be in the position to take their own initiatives. But is there a global and sustainable overall vision for this? One starting point could be the Millennium Development Goals. One could start with the MDGs at the global level, and involve stakeholders in developing practical projects that would contribute to reaching them. More inclusive and sustainable entrepreneurship is also needed for the future.

The development role of companies: recommendations for moving forward

Base of the pyramid initiatives
So-called base of the pyramid initiatives need to be defined[1]. This is a topic worked on by CSR Europe. Across the business community the definition ranges from, on one hand, what is perceived as corporate philanthropy and, on the other hand, initiatives that cross the supply chain, look at the local level and are more profound than philanthropic initiatives. There is not even a common agreement among CSR Europe's members on this.

One key challenge is how to accelerate those base of the pyramid initiatives that have major social impacts locally. Sometimes those initiatives take a very long time. The business side wants to know if the public sector will support acceleration of the initiatives.

Another challenge is that many businesses do not invest in these initiatives, due to certain market failures. Is there a way that the public and private sectors could work together to address such market failures?

Use the resources of development organisations
More and more businesses want to do something in the CSR field, because of market pressure and pressure from public interest groups. In the past, 'chequebook charity' was possible. Now, the business community still has not used to its full potential the knowledge development organisations can offer them. Development organisations are happy to coach companies in applying and designing sustainable CSR strategies

1. Editor's note: the 'base (or bottom) of the pyramid' is a socio-economic term for the four billion people, mainly in developing countries, whose annual per capita income is less than USD 1,500 (purchasing power parity).

that go far beyond the chequebook mentality. Companies should make use of these structures and approach development organisations proactively.

Companies should focus on their core competences

To create a long term perspective and sustainability, companies should focus on their core competences and the expertise they can bring to the table. CSR projects have to have some relevance for the company's business, but if this is in place, you can ensure the interest from the government and from the company. At the same time it is also necessary to address society at the margins.

The role of development organisations

Development organisations have an approach that is much more grassroots-driven. They look for companies that share their interests, and how companies' interests can be matched with their own work at grassroots level. Development agencies also have a kind of moderating role; they bring people together so they can talk with each other. While business's bottom line is profits, development organisations are more aware of the poverty and development perspective. Development organisations should pay more attention to the common interests they may find with businesses. Development organisations also know how to design development programmes, a skill businesses can benefit from.

The role of country strategies

The private sector could be more involved in country strategies. Creation of country strategies, by the European Commission for example, is still dominated by the public sector. In creating country strategies, a lot of resources are allocated and the social priorities of the country in question are examined. Business could play a role in this.

One example of this type of involvement comes from South Africa, where the German embassy has started a project in Pretoria in the course of which all the German multinationals operating in South Africa come together on a quarterly basis. They discuss what they are involved in and look for common interests and possible areas for cooperation, in order to create one single agenda. This is a good example of how government organisations can facilitate the deeper involvement of companies.

The role of governments

Governments play an important role in terms of policymaking, promoting cooperation and encouraging companies to engage more. They could, for example, reduce tax rates for a 'five star' CSR-promoting corporation. Tax revenue is spent by the government on development work. Why not give a rebate if the company is doing the job?

Governments also have an important role in promoting research. The base of the pyramid concept is known today because somebody wrote a book about it. The role of academics is to promote these kinds of concepts; they have a critical role as well.

Strong stakeholder partnerships help governments to reflect on their previous performance and the steps they have taken. Policymakers rarely experiment. Vehicle manufacturers test their vehicles before putting them on the road, but what testing mechanism exists for governments for experimentation, testing and innovation of policy? In CSR terms, the CSR laboratories run by CSR Europe are an example of a testing mechanism[2]. The European Commission highlighted in its most recent CSR communication the need for innovation in social issues, and the Commission would like stakeholders to come up with ideas that can be jointly developed.

The role of the education system

In all developing countries, such as India, the education system is still old-fashioned. When students graduate from schools, few go on to work in industry. Corporations, the public sector and academics should work together to reform educational systems.

The role of civil society organisations

Civil society organisations could promote certain ideas, analyse which actors are active in which fields, and bring these actors together. Governments might not want to let companies lead a particular project, because they have their own interests. But civil society organisations often have fewer vested interests and can play a mediating role.

In addition, NGOs work at the grassroots level, and have strong community links. They can work to create community consensus and encourage the community to take ownership of projects. They can represent communities at the project design stage, and they can then act to protect the community if projects take a wrong turn or damage community interests. However community groups can also sometimes be an obstacle.

The role of the media

The media as a communications channel has a major role to play in aligning public opinion. The media can be a tool, and as such is open to all players to use it, in whichever way they want. The media can also be seen as a partner across the development programme; in which case, the media may proactively promote development. The media can of course increase the visibility of CSR and those involved in promoting it, and can add credibility to corporate projects by adding an independent view.

2. http://www.csreurope.org/pages/en/csrlaboratories.html.

Workshop conclusions

Dr Peter Köppinger

The New Partnerships project and subsequent discussions have made it clear that the vast majority of companies have not so far engaged in development and do not share the idea of corporate social responsibility. Therefore, the existing examples should really be considered role models. The New Partnerships project and the related workshop and publication of the results might help to promote the idea of engagement in development and the value of CSR to all the different potential actors. The diversity of the participants and their backgrounds has contributed greatly to the New Partnerships project. Such activities, based on a diversity of actors, can develop different dimensions and perspectives.

I would like to highlight the following findings from the New Partnerships project workshop:

- One key issue is a question that is relevant in most partnership projects: should project promotors should look more for short term advantage, or more for long term sustainable contributions from partners. This is a key question relating to the quality of projects.
- Another key question is: do corporate contributions to development represent support for the general economic development of a country, or are they, more simply, the use of rich companies' funds to address social problems? The latter is not necessarily a bad thing, but it is important that companies should see development as being in accordance with their strategic interests. This will result in activities that are more likely to benefit the people and the country in question.
- A very difficult question is who among the potential actors should take the leadership role in promoting partnerships between businesses and development organisations. Furthermore, who should coordinate and moderate such partnerships? This role

could be taken by any of the actors, but the key question is are there corporations that are ready to do it?

- Companies should be encouraged to use the expertise at hand: from development organisations, from civil society, from donor organisations and from public institutions. This is an important point for the quality of projects.
- In a situation where there are so many potential actors, each should focus on bringing its own core competences into the partnership instead of adopting roles for which the particular actor is not qualified.
- The idea of involving the corporate sector more in the design of country strategies is very important. Many developing country governments organise dialogues with the corporate sector without inviting donor organisations. The European Commission in particular is sometimes excluded. Work could be done in Brussels to make the Commission aware – especially the Directorate-General for External Relations – that there are benefits to bringing the major players – the donors and corporations – together when designing country strategies.

KAS will promote these key ideas to its offices in developing and newly industrialising countries. We will encourage our country representatives to consider these findings, together with their local partners, which normally come from civil society, government or media, but not from business. We will encourage promotion and even initiation of activities in this field. KAS would be ready to moderate such processes where appropriate, up to the point where a project is running.

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