

CSR REVIEW

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Mobilizing CSR Funds in Bangladesh: Importance of Policy Support

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In the last few years there has emerged a greater understating of the term "Corporate Social Responsibility". Business houses through out the world practice CSR in some form or the other, either through providing better working conditions for their workers or through corporate giving. It has gained international recognition through various initiatives. One of them is the UN Global Compact which is a United Nations initiative to encourage business worldwide to adopt sustainable and socially responsible policies.

In a series of television interviews of different stakeholders, organized by MRDI it was evident that in Bangladesh, people understand CSR in a variety of ways. Some think it should not be confused with philanthropy or charity, some understand it as compliance to the ILO convention and some perceive it as socially equitable business practice.

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Taking business forward



Dr. Akbar Ali Khan

Former Adviser to the Caretaker Government

It is heartening to note that there is much curiosity about corporate social responsibility (CSR) in Bangladesh. CSR is relatively a new term now being discussed in the business arena.

I see two major problems of CSR in Bangladesh. First, the number of corporate entity is very limited in Bangladesh. Most of the companies here are either privately -owned or controlled by family shareholders. Company managements are effectively just extensions of the dominant owners. The corporate boards are owner-dominated and therefore, most of the companies have top bosses from the controlling families. The corporate sector here is characterized by high ownership concentration and lack of shareholder involvement. As a result CSR remained a minor factor in the Bangladesh's corporate sector for a long time.

Secondly, CSR pre-supposes that companies are in compliance with labour laws, environmental laws and the repayment of bank loans on time. These are all legal and moral responsibility of the companies. If they fail to discharge these responsibilities they should not try for CSR. The primary responsibility of a company is to comply with law. Otherwise the motives of CSR will be questioned.

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CSR

A Multinational Perspective

Sarwar Ahmed

Managing Director, Syngenta Bangladesh Ltd.

Is corporate social responsibility a do good, feel good social event for an organization? Beyond these feelings, it makes strong business sense for an organization to be involved in corporate social responsibility activities. As businesses make profit from consumers who buy their products or services, businesses need to return this favour to the community. Hence it is an onerous responsibility an organization has to shoulder as it goes its way in building its business and profits.

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NBR-MRDI meet on tax incentive

MRDI organised a meeting in April 2010 with the top level officials of the National Board of Revenue (NBR) to discuss how corporate sector could be further encouraged to be proactive in CSR activities. The discussion centred around an statutory regulatory order (SRO) issued by the government regarding tax exemption on CSR activities.

Taking part in the discussion, Chairman of NBR Dr. Nasiruddin Ahmed said the government is eager to promote CSR through tax incentives but transparency and accountability of CSR activities have to be maintained.

Referring to the tax exemption offered by the government, the discussants stressed the need for proper monitoring of the CSR activities, and proper use of the tax rebate.

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Moving CSR into the domain of real world

The organized businesses in Bangladesh are now familiar with the broad operational content of, what is known as, corporate social responsibility (CSR). More and more companies, whether publicly listed or not, are making their efforts to embrace CSR that does essentially cover areas of their voluntary activities. Such activities are meant for winning trust and confidence of their stake-holders or the community in which they operate, in support of endeavors for fostering an inclusive, sustainable process of development. CSR activities are supported by funds generated out of profits of the companies. These are not meant for reaping immediate exclusive gains in the form of more profits for an enterprise that undertakes CSR-related operations. Such activities do, however, otherwise help to add value to a company, in terms of its reputation and goodwill, strengthen links with its broad stake-holders and forge close integration with the community through reinforced partnership for common well-being, all of which are hallmarks of 'corporate citizenship.'

There is now a greater awareness among the country's businesses than before, about the importance of CSR for sustainable, long-term socio-economic development. Sustainability and pro-active stance on providing support to efforts to address the issues of concern to the stakeholders and the community, its people and environment, are two important operational aspects of CSR. Though CSR implies doing something other than the activities that are done by companies for their normal operations to earn profits, its long-term gains can accrue to the businesses through expansion of the client base, actual and potential, in tandem with other benefits that have no proximate connection with their profit-earning position. Working essentially on the principles that are meant for laying a solid foundation for a 'caring society', the CSR is, thus, meant to encourage a business firm to take voluntarily on a social responsibility, mainly to lend strength to its credentials.

The growing awareness about CSR among the business firms in Bangladesh has been made possible because of some hard promotional activities and advocacy programmes that have been undertaken in recent years. On its part, the Management and Resources Development Initiative (MRDI) has been quite active on this

front. It has sought to involve the key functionaries of the leading chamber bodies, corporate entities, the media, the opinion leaders, the policymakers and other concerned quarters in its endeavors to highlight the importance of CSR, focus on areas of its conceptualization and contextualization and emphasize the need for promoting better links among all stake-holders. Related activities have been undertaken by the MRDI, keeping in view of the goals and objectives of CSR in the given situation of Bangladesh. It has also completed a number of case studies in different parts of the country for possible CSR operation/interventions by the businesses. The media personnel, involved in such studies with back-up supports for the purpose, have done their work, professionally and commendably well. Their first phase of works has been well appreciated by the distinguished guests at a CSR event, organized by the MRDI. The MRDI will continue to engage itself in such activities for promotion of CSR in the coming days.

Meanwhile, there have also been strong supportive moves by institutions like the Bangladesh Bank (BB) to encourage particularly the banks and financial institutions, in CSR activities. The spending on CSR by the banks is increasing. The central bank is also monitoring their CSR activities on a regular footing. The banks now include CSR activities in the annual reports at the instruction of the BB. On its part, the BB has furthermore taken the initiative to publish, on its own, an annual report, giving an aggregate picture about the CSR activities in the banking sector. The CSR performance of the banks will also be included as one of the parameters for their credit rating. These are, indeed, strong and positive moves in the right direction. Besides the Bangladesh Bank, the National Board of Revenue (NBR) under the directive of the government has been put in place a CSR-supporting fiscal policy, by announcing some tax exemption facilities for related expenditures by companies. Such facilities are also being reviewed by the NBR in order to make them more effective, and, thus, more relevant to the needs of the time, so that the businesses can become more active on CSR front. Likewise, other bodies like the capital market regulator can also play pro-active role, by encouraging the listed

companies to undertake CSR activities in a more purposeful manner.

Public policy supports for CSR can, indeed, be a catalyst for facilitating expansion of related activities by the business houses in a focused way, in line with the broad objectives and targets, set in the national poverty reduction strategy. An innovative approach to provision of such policy support is needed for the purpose. Institution of some public awards as a sort of recognition of the roles of companies that are doing excellent works in the ambit of CSR activities, can provide a great deal of encouragement to businesses in related operations. Now that the businesses do, on their part, appreciate, much better than before, the importance of CSR as one of the key operational tools to serve the needs of the community for their long-term benefits, there is also a visual change in their mindset. This change is welcome and has to be actively support in all possible ways for facilitating expansion of operationally meaningful CSR activities.

A great deal still remains to be done for this purpose. Some structured institutional arrangements for promotion of activities under CSR, befitting its real goals and purposes, can be of some relevance here. Standardisation of CSR, as far as its conceptual framework in the context of the prevailing situation in Bangladesh is concerned, may furthermore serve as a useful guide to the businesses. The moot point about CSR relates to sustainability of activities under it. And it must also be noted here sporadic donations or individual charities are not CSR. Meanwhile, facilities of small enterprises that are willing to set aside voluntarily a part of their profits for CSR operations but do not have capacity, skill and experience to undertake such activities, to form groups or forums together for forging partnership for the purpose, will also be considered a positive policy move in support of CSR. Moving the CSR concept forward meaningfully and effectively into the domain of practical world, through appropriate reflex actions in areas of public policy without relegating the voluntary nature of its operations to the background, is a hard task. But this task will have to be addressed befittingly sooner than later, if the cherished goals and objectives of CSR are to be achieved.

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Taking business forward

CSR is not corporate philanthropy. There are major differences between these two concepts. Philanthropy involves charity. On the other, the purpose of CSR is not charity. It is to supplement the efforts of the government and the community in enriching the life in the community. CSR is linked to corporate citizenship which implies that corporates consider themselves as responsible to the community where they operate. It involves a shared vision with the community at large. There is no such vision in philanthropy. In philanthropy the driving principle is the act of donating money, goods, time, or effort to support a charitable cause. CSR supports a more integrated process of strategically channeling resources in support of the organization's business performance. CSR is enabling the organization to meet its obligations to its shareholders and the community.

Corporate Governance (CG) and CSR are both extremely important to a company. But it is not a natural thing to separate them. If you have a well formed CG programme in place, that would probably take care of most CSR issues.

Bangladesh is a developing country. Because of global competitiveness and demand, the CSR practices and standards are being implemented in Bangladesh. But we are yet to go a long way. There are challenges to implement CSR properly in Bangladesh. Ultimately CSR practices should

be better practiced in Bangladesh for better and enhanced performance.

There are examples of good activities of CSR in Bangladesh. But they are less publicized. The major failure of CSR in Bangladesh is that most of them failed to derive support from the grass roots. They tend to be organized from the top.

CSR could be encouraged by providing tax concessions. However in order to qualify for tax benefits, the corporates need the following requirements:

- not to be bank defaulters
- should be in compliance with labour and environmental laws

Corporate sector is so small in Bangladesh that they cannot play any significant role in socio-economic development. Further more, any attempt to coordinate CSR would discourage creativity. The best form of CSR is local, not national. Local CSR can be driven by local people and can ensure better participation.

Media can play a very significant role in making CSR more meaningful. Success stories will inspire others who are launching new projects. Besides, constructive criticism of existing projects will help the sponsors to make necessary adjustments so that full benefits of such projects can be realized.

In Bangladesh corporate sector needs to be expanded. This is essential for economic development. This will also help social and political development by making the ownership of large firms accessible to small shareholders.

I want the corporate sector to be more concerned about the following areas:

- Labour welfare
- Protection of environment
- Participating in the community welfare activities in the areas where they function.

CSR to me is a moral and social obligation. CSR initiatives can be incorporated in every business strategy in order to achieve sustainable long term growth in the private sector. As small businesses grow into larger ones there is a need for reaching out into the wider global markets. CSR has become a global necessity for taking a leap forward and attaining a larger share of the market.

CSR should be at the heart of the business and be integrated into all aspects of the company starting from its HR policies to business practices to marketing strategy and so on.



NGO-corporate link vital to proper utilisation of CSR funds

MRDI organised a two-day orientation programme on linking CSR with NGOs during 17-18 April, 2010 in Dhaka. Chief executives and representatives of 14 NGOs from around the country took part in the programme.

Two main objectives of the programme were to find ways on how to utilise corporate social responsibility (CSR) money as alternative source of funding for development of the community; and to identify corporate views about their priorities for CSR operations.

Participants and resource persons of the programme observed that development organisations could play a key role in proper utilisation of CSR funds in social development and this could be attained through an effective linkage between NGOs and the corporate sector.

The participants were oriented on how NGOs working at the grassroots could approach corporate sector for supporting their development initiatives under CSR programmes addressing the needs and priorities of the community. They also received orientation on various techniques of achieving this objective.

The orientation also covered conceptual aspects and operational experiences of CSR from different perspectives. Techniques and approaches of receiving and operating CSR funds were also discussed.

Shitangshu Kumar Sur Chowdhury, General Manager, Bangladesh Bank; Farzana Naim, Director (Governance) of MjF; Hasibur Rahman, Executive Director, MRDI; Syed Ishtiaque Reza, Head of News, Boishakhi Television; M. Enamul Haque, Head of External Relations, United Nations World Food Program (WFP); Murad Husain, Manager, Business Support and CSR, Rahimafrooz Limited; Mekhola Haque, Manager, Corporate Affairs, Novartis (Bangladesh) Limited; Md. Shahid Hossain, Advisor, Planning and Development, MRDI and Konvi Rakshand, Founder Chairman, Jaago Foundation, facilitated different sessions of the programme as resource persons and guests.

The Bangladesh Bank takes stock of banking sector CSR



The Bangladesh Bank, for the first time, has set its eyes on corporate social responsibilities of the banks as a measure for their performance when it released its first CSR report.

The central bank released its review of CSR initiatives of banks (2008-2009) at a function in presence of the CEOs of scheduled banks on 17 May, 2010 which is intended to help financial institutions intensify and develop CSR practices. The central bank says it plans to publish this report annually, tracking progress in mainstreaming CSR activities in the banking sector.

Its purpose is to put the banks on the path to socially and environmentally responsible goals, policies and practices that are becoming global standards.

"As elsewhere, awareness of issues in socially and environmentally responsible business and organisational practices is increasing among users of financial services in Bangladesh. Banks and financial institutions will therefore be advised to adopt CSR practices in formal, structured manner in line with global norms," Bangladesh Bank Governor Atiur Rahman said.

Of the 48 scheduled banks, 46 had engaged in CSR practices in 2009. The number was 27 in 2008.

President of Association of Bankers Bangladesh Limited said, the banks would become more active in CSR activities in future. But the government should waive the banks from the tax burden for the money they spend for such activities. The areas of CSR as defined by the government should be further clarified and more areas should be included in the list, he added.

Some researchers define CSR as "the situation when a firm does more than it is compulsory and it involves itself in actions meant to be useful to society, actions that surpass the immediate economic interest of the firm and the minimal standards imposed by the law".

The difference between CSR and charity is, the first involves developing an implication strategy within the community and a partnership from which the company gains as well. Charity, on the other hand, is a one-off donation, which usually does not form any partnership.

CSR does not mean a mere money donation as part of some charity actions, but a different way of doing business, an integrated style within the company culture at its operational levels. CSR represents a concept through which companies integrate social and environmental responsibilities in commercial activities.

Dutch-Banga Bank Ltd spent the highest, Tk 15.92 crore, on education, health, disaster relief, sports and social welfare in 2009.

Islami Bank Bangladesh Ltd secured the second position, spending Tk 11.62 crore mainly on education and disaster relief.

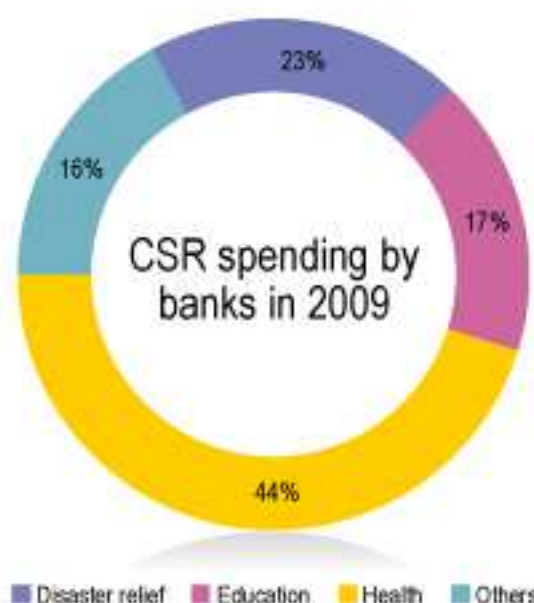
In 2007, banks concentrated more on disaster relief because of Cyclone Sidr. Two years later, education and health attracted more attention and became the most popular CSR activities.

Bangladesh Bank says this shift points to the responsiveness of banks to the changing need of society.

Several banks have taken steps and introduced investment schemes to cater to the needs of self-employment and poverty alleviation. These programmes help channel micro-finance to poor farmers, landless peasants, women entrepreneurs, rootless slum people and disabled people.

The bankers said a joint move by all banks is necessary to fund a big project each year under their own CSR activities.

CSR spending of banks has so far been largely passive grants and donations. Besides one-off grants and giveaways, the banks are leaning towards socially responsible business by increasing loans to under-served sectors such as agriculture and small and medium enterprises. The aim is for full financial inclusion and fast poverty eradication.



But banks are yet to adopt the practices of stakeholder consultations – an important element in the guideline – in drawing up CSR programmes, Bangladesh Bank observes.

The central bank says some banks have reported commitment to environmental sustainability. But proactive steps of helping arrest environmental degradation like adoption of more energy efficient internal practices have largely been absent in the CSR activities.

The CSR activities are not mandatory for the banks. However Bangladesh Bank now considers the banks' yearly CSR initiatives as an extra instrument for their performance rating. This idea has mainly brought the banks to involve more in such activities.

Private commercial banks were found more active than their state-run peers in CSR spending, said the Bangladesh Bank report.

Quite a few banks have created separate foundations or trusts as non-profit, non-governmental organisations devoted to the promotion of CSR activities.



Banks should take CSR as core activity: Governor

I extend my thanks to all of you for institutionalizing corporate social responsibility (CSR) programme in banking operations to mitigate inequality, deprivation, poverty amongst the larger section of the people and to reduce multifaceted hazards created by business operations. Indeed, this is yet another attempt at addressing some of the market failures. I am also thankful to you for the reason that each year banks are expanding the scope and volume of CSR.

I wish to mention here that rightly chosen and properly implemented CSR programmes can play a vital role in the long run in stabilizing competitive position of the business, protecting environment, increasing loyalty and responsibility of the employees to the organization, reducing institutional risk, improving market position, creating market goodwill and improving potential client base.

But the concept of CSR is yet to be interwoven in our mainstream corporate culture. So far I know, Bangladesh Bank has become the pioneer in formalizing CSR when it issued CSR guidelines to be followed by the banks and financial institutions.

We have instructed the banks to include their CSR activities in the Annual Report.

Bangladesh Bank has published this report on the CSR programmes implemented by the commercial banks in recent times.

CSR is a voluntary programme. Though it is not mandatory, Bangladesh Bank monitors the CSR activities of banks and financial institutions as an additional dimension of their management performance. Particularly, loan extension to agriculture and SME and CSR performances are taken as additional yardstick for management rating in the Composite CAMELS Rating process while assessing the performances of banks.

You must have noted the steps taken recently by Bangladesh Bank for sustainable development. We want to open the windows of opportunity for the extreme-poor. At the same time we are giving priority on agriculture and SME sectors in order to increase access to credit by the missing middle class like marginal farmers, share croppers and small traders and attain faster & higher inclusive growth. Re-finance facilities to banks have been introduced for reducing carbon emission projects. Bangladesh Bank itself has started



producing and using solar energy which is an initial step of CSR. Bangladesh Bank in its strategic plan 2010-2014 has included the issue of providing conducive policy support to promote CSR programmes and addressing the threat of climate change in Bangladesh. A mid-term plan has been taken to bring the institutional carbon foot print to a minimum level. Use of appropriate technology is very important for poverty alleviation. So measures have been taken to increase use of technologies in the banking sector.

We expect that all of you will determine your own level of corporate social responsibility actions by yourselves. But you should have a CSR policy and set aside an amount in annual budget to bring CSR into the mainstream banking activities. Besides, quantitative and qualitative performances of CSR have to be included in the annual financial report in Global Reporting Initiatives (GRI) format wherein the economic, environmental and social performance of your institution will be elaborately mentioned. Internal audit has to be introduced to ensure transparency and dynamism in CSR operations. Further, banks will be best advised to include CSR in their mainstream banking activities rather than taking it as a voluntary service. CSR should not remain confined within short term services like of grants, aids, donations; rather this should be a long term, sustainable and continuous process. This would enhance credibility of the bank and increase its competitiveness in business.

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MRDI's Roundtable on Policy support to CSR

MRDI organised a roundtable on "Policy support to CSR in the context of Bangladesh business and economy" at Dhaka Sheraton Hotel on March 6, 2010 in partnership with Manusher Jonno Foundation (MJF), Federation of The Bangladesh Chambers of Commerce and Industry (FBCCI) and Bangladesh Federation of Women Entrepreneurs (BFWE).

Eminent economist and former Adviser to Caretaker Government Professor Dr. Wahiduddin Mahmud made the keynote presentation and Prime Minister's Adviser on Economic Affairs Dr. Mashiur Rahman attended as the chief guest.

Dr. Wahiduddin emphasised proper implementation of the CSR programmes and preventing waste of money. He said public universities need money for development but they cannot receive big amount of donation from any organization since the existing tax exemption facility for donating funds for CSR programmes is inadequate.

He recommended formation of an Education Foundation allowing companies to contribute in education sector.

Dr. Mashiur Rahman stressed the need for strict monitoring and supervision of the CSR activities so that funds could be utilised transparently for the well-being of the people.

He said tax exemptions are given as incentives because the companies through CSR want to share their wealth with the society. But the companies should maintain certain standards. He

laid emphasis on policy support, but cautioned all concerned about misuse of the benefits through whitening of black money.

President of Bangladesh Federation of Women Entrepreneurs Rokla Afzal Rahman in her opening remarks said if proper policy support is given, businesses will come forward in a bigger way for the welfare of society.

FBCCI President Annisul Haq said there should be a clear definition of CSR in the context of Bangladesh. Businessmen should supplement and support the government in accomplishing its social development goals.

MJF Executive Director Shaheen Anam said businesses demand policy support for CSR. But they must be specific and need-based. She supported the idea of forming Education Foundation and suggested doing something for the dropped out children by utilizing the CSR funds.

In the open discussion, the participants expressed their view that business houses must be provided with adequate policy support, apart from tax holiday, from the government for encouraging them in carrying out social welfare activities in an extensive way.

At the same time, there should be proper monitoring and supervision of fund utilisation under the Corporate Social Responsibility (CSR) programmes of various companies to ensure transparency.

Among others, NBR Members Jahanara Siddiqui and Syed Aminul Karim, former adviser to caretaker government Rasheda K Chowdhury, Shitangshu Kumar Sur Chowdhury, General Manager, Department of Off-site Supervision of Bangladesh Bank, Executive Director of MRDI Hasibur Rahman, Executive Director of Centre for Policy Dialogue Dr. Mustafizur Rahman, and BKMEA President AKM Fazlul Hoque spoke at the roundtable, moderated by Editor of The Financial Express Moazzem Hossain.

TV Talk show calls for more policy support to CSR

During February-March 2010, six episodes of the second phase of TV talk show - CSR - produced by MRDI went on air in a popular private TV channel. This time discussants focused on the need for more policy support to CSR in the form of tax concessions and popularising the issue among all its stakeholders. Top-level policy makers, government officials, academics, and representatives of corporate sector and civil society took part in the discussions.

It came up from the discussions that provision of public health services, protection of the environment - all these are the responsibilities of the state. If private sector comes forward, government will extend support in different forms of incentives. One of the



MRDI team visits Tata Steel's CSR programme

A four-member team of MRDI recently visited Tata Steel Factory at Jamshedpur, India to see the company's CSR activities. The members of the team shared experiences with Tata officials and visited different projects and the plant.

Tata is a glowing example of operating sustainable CSR programmes in the world. The company runs the entire utility services system of Jamshedpur city. There is no local government body in the city for providing these services. Quality of life of the people of Jamshedpur, in terms of health, education, housing and other facilities, is much better compared to most other Indian cities.

The MRDI team visited Tata Main Hospital, Centre for Excellence, JRD Complex, Tata Football Academy, Tribal Culture Centre and an AIDS-HIV prevention project for the truckers at Transport Nagar.

The team observed that the level of job satisfaction and commitment was very high among all the people working in Tata. Two common views came from them: firstly, profit of the company comes from the local community and goes back to the community. Secondly, Tata does not showcase CSR, rather takes it as a commitment.

The members of the team had an interactive meeting with the officials of Tata. After a brief presentation of MRDI's CSR advocacy activities, Mr. Satish Pillai, Chief of Corporate Sustainability Services of Tata Steel, made his presentation.

While defining CSR from Tata's viewpoint, Mr. Pillai said that "CSR is a concept that integrates social and environmental concerns into business operations." Corporate responsibility, he further noted, drives business values, enhances brand reputation, customer loyalty & sales, and reduces long-term operational costs.

Aiming to improve economic and social status of the community, Tata focuses on sustainable livelihood, health &



Visiting MRDI team talking to Dr. T.P. Madhusudanan (left), General Manager, Medical Services at the Tata Main Hospital



Tata official explaining history of Tata's CSR to the visiting team at the Centre for Excellence

sanitation, education, empowerment and environment. In carrying out its CSR programmes, Tata Steel operates its CSR activities in 896 villages covering 18 districts of three states.

The members of the MRDI team included Editor of the Financial Express and Project Anchor of MRDI Moazzem Hossain; MRDI officials Hasibur Rahman, Executive Director; Md. Shahid Hossain, Adviser, Planning & Development and Aktarun Nahar, Programme Officer.



incentives is tax rebate on CSR activities. Since corporate culture has not developed in our country to the desired level, government identified some areas and put certain qualifying conditions for availing tax rebate facilities for promoting CSR activities.

The discussants further observed that to expand the size of the corporate sector the government should provide tax holiday facilities only to the corporations, not to the privately owned business organisations. The culture of corporate citizenship has to be developed. Corporate houses should follow the business principle of standing on three columns:

Profitability, People and Planet.

The discussants who included corporate representatives affirmed that positive mindset was very important for operating CSR activities. A good company does not always wait for tax rebate in doing good to the society. Recognition and appreciation of good works are also incentives that may encourage CSR.

They said CSR is giving back to the society from where profit is earned. It cannot be imposed, but it is a social license. CSR relates with responsible behaviour to the society by the corporate sector.

The discussants observed that corporate sector can come forward with human resource development programmes, using the unutilised or underutilised infrastructures of the government. It will be possible if the government and the corporate sector agree to work together in this important area of development. Public-private partnership implies that together they will work to uphold the interest of the country.

CSR is a voluntary process of a company to build a caring society. Policy support is required to make the process self-sustaining.

Banks should take CSR as Core activity : Governor

Poet Rabindranath Tagore said, King's responsibility is limited within war, defense and judiciary of his kingdom; but the society takes the responsibilities starting from procreation to education. He has repeatedly mentioned that it is never possible to reach the peak of development leaving a section of the society at the bottom. He wrote:

যারে তুমি নীচে ফেল সে তোমারে বাঁধিবে যে নীচে
পচাতে রেখেছে যারে সে তোমারে পচাতে টানিছে।

So we have to march forward together. We have to accept this strategy of financial inclusion with all sincerity. Everyone has the potentials of earning wealth, but many of them do not get the opportunity. Our aim is to create that opportunity.

CSR should not remain confined within short term services like of grants, aids, donations; rather this should be a long term, sustainable and continuous process. This would enhance credibility of the bank and increase its competitiveness in business.

Along with our united effort, technology is very much needed for wealth enhancement. But it should benefit all. Tagore said, "We need electric light, but it should be available to all." Through his writings he has strongly advocated for building an environment friendly world habitable for the mankind. We want to take forward the banking sector with such a humanistic outlook. That is why we have given much importance upon CSR activities. We sincerely desire your cooperation in this regard.

Now I want to focus on some specific issues related to recent economic situation.

Export

During July 09 to March, 10 period, our export sector has recorded negative growth of 0.80%. Until February, 10 this rate was negative 3.21% compared to the corresponding period of the previous year. That means export growth is in a positive trend. Only in March 10, export growth was as high as 18%. If the trend continues, we hope 5-6% export growth can be attained at the end of this fiscal year.

Remittance

Remittance has increased by 17% from July 09 to April 10. Rate of increase was 22% during corresponding period of the previous year. We have approved proposals of several banks to open exchange house with a view to increase remittance flow. We hope you will try your best to increase growth of export and remittance.

Inflation

Though average annual inflation remains in single digit, it has slightly increased to 6.26% in March 10 from 5.95% of February, 10. However, point to point inflation has marginally decreased from 9.06% of February 10 to 8.78% in March 10. It has been estimated that annual inflation will remain below 6.5% at the end of the fiscal year (June 10). Bangladesh bank is applying its monetary policy tools to keep inflation to a tolerable level. We have increased CRR and SLR with this end in view, positive impact of this on inflation is already visible. Simultaneously, we are encouraging all to keep the supply line intact to avoid scarcity.

Loan fault situation

Non-performing loan has slightly increased compared to December, 09 (from 9.21% to 9.41%) mainly due to recession. Loans have to be extended to the promising investors of priority sectors. On the other hand, banks have to take measures to check amount and percentage of loan fault.

Agriculture loan policy

In first 10 months of the fiscal year i.e. until April 10, 78% of agricultural loan disbursement target could be attained. I came to know that most of the private banks have not been able to attain even 50% of their target. So you have to try hard to attain the target within remaining two months of the year.

Few days back we had an interactive meeting with field level branch managers of the state owned commercial and specialized banks to share views on agriculture/rural loan programme. Participants of the meeting recommended to increase the authority of branch managers in approving agricultural loan, provide group loan to share croppers, increase work

force, provide special allowance to the field workers, provide 1% additional interest on deposit at the 10 Taka account and utilize the block supervisors in distributing agricultural loan.

I seek your valuable remarks on how more qualitative and quantitative measures can be taken in the upcoming agriculture loan policy, specially :

- How to remove operational difficulties say, simplifying the application form, reducing time gap between sanction and disbursement, decrease processing fee, disbursement of agriculture loan through bank accounts in the name of the farmer and develop mentality of savings among the farmers through these accounts.
- How loans can be disbursed through a harassment free and transparent procedure.
- What policy initiatives can be taken to increase flow of loans to small and marginal farmers and in the poultry, dairy and pisciculture sub-sectors.
- How to strengthen training and motivation of officials related with agriculture loan disbursement and reimbursement.
- You have already opened bank account of 8.6 million farmers. Despite shortage of manpower, field level officials and you have worked hard. Please give your views how these accounts can be kept operating with increased use of IT.
- Please also suggest how the negative impact of global climate change on agriculture can be addressed

Implementation of SME loan policy

I would request you to discuss implementation of the new SME loan policy, particularly which areas and which clusters you are working on.

Investment in renewable energy sector

So far I know the 200 crore Taka re-financing scheme for establishing solar energy, bio-gas and effluent treatment plant has remained almost unused. Only three banks have availed this refinancing facility worth Taka 50 lac. It has been complained that a certain bank has demanded 13% interest against loan under this scheme. Please give your views about keeping the interest rate at a minimum level and increase investment in this sector.

Bangladesh Bank Governor Dr. Atiur Rahman delivered this speech at a function held on the occasion of releasing A review of CSR initiatives in banks (2008-2009) on 17 May 2010.

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CSR

A Multinational Perspective

There are many ways how corporate social responsibility is defined - from a narrow philanthropic view of doling out money for a social cause to an expansive view of going by the law of the land, ensuring ethical standards in dealing with society, customers and the environment.

Three words sum up what is called the triple bottom line - people, planet and profit, that an organization needs to be aware of when addressing corporate social responsibility activities.

Being fair to people, employees and the community is a pre-requisite to be a socially responsible organization. This fairness entails not exploiting but paying appropriate salaries, for example. Using child labour will indeed be considered unfair. The organization also needs to give back to the development of its community, for example, through education, healthcare or infrastructure.

Taking care of the environment and reducing the ecological footprint of its activities is what is meant by planet. A cradle to grave, life cycle management of what the organization produces and sells can show the ecological impact of its activities. Thus a socially responsible organization will ensure its activities balance out to assure environmental sustainability.

The traditional view of profit is what an organization makes after deducting expenses from revenues earned. However, the economic impact and benefit the organization delivers to its host society needs to be considered beyond the accounting profit.

Syngenta as a multinational, embraces the comprehensive definition of social responsibility, and in doing so, has framed a code of conduct for its employees. Within this inclusive framework, a specific part is on our relationship with our communities. We seek to create economic, health and social benefits, with an open culture to learn from and respect views of our stakeholders.

There are many ways to go forth in executing socially acceptable activities. How do we create economic benefit for our customers? With products that help to enhance and safeguard crop yields, our farm families have come to trust Syngenta in providing solutions to their crop pest problems. It is important for us to keep in mind that these chemicals are to be used with due care so as not to harm the person or the environment. Thus we not only promote benefits of using our products, we talk about safe use of these chemicals. The latter is part of our social responsibility to our customers, making sure they understand the ways and means to use agricultural chemicals safely without impairing their health.

To contribute to society in general, we provide scholarship to needy students at all our sites. Farmers living adjacent to our sites can avail free use of sprayer machines to spray agricultural chemicals on their crops.

Agricultural chemicals need to be used safely. The first contact a farmer has is with agri-input retailers, the latter providing information on the use of these chemicals. There is a lack of knowledge of these agri-input retailers on agricultural chemicals and their correct use in Bangladesh. Thus a wrong chemical sold is a waste of hard earned money for the farmer as it will not benefit the farmer in any way, and an ecological wrong because of

Three words sum up what is called the triple bottom line - people, planet and profit, that an organization needs to be aware of when addressing corporate social responsibility activities.

spraying an inappropriate chemical. To address this illiteracy, we have built a residential training and development centre in Bogra where we provide a three day training to the agri-input retailers at our cost. A socially responsible company does not only sell products, it has to ensure its correct use so that consumers and society both benefit from it.

An article, Leadership in the Age of Transparency, by C. Meyer and J. Kirby, (Harvard Business Review) explains what companies must embrace to survive and sustain their business well into the future. Companies do not operate in a vacuum. There are externalities - side or spillover effects of the operations of a business. If we ignore these externalities, we do so at our peril as the side effects will create a negative momentum that will eventually consume the business. They explain a simple framework, Ripples of Responsibility, to understand and work through externalities.

Draw four concentric circles. The inner most circle is the core - your business today. Each of the rings show the impacts of our business operation. Beyond the core ring of your business, the inner most ring asks what impact does your operations have on the community, environment? Take ownership of these measurable impacts and ameliorate them. Quoting Peter Drucker, "One is responsible for one's impact, whether they are intended or not. This is the first rule. There is no doubt regarding management's responsibility for the social impacts of its organization."

The next ring draws the impacts you contribute to and the possible problem solving competence you have to take action and mitigate the concerns. The outer most ring shows distant ripple effects of the impact your organization can have on society or environment. You do not have the competence to take care, but do show interest by taking outside help.

Corporate social responsibility is not an option anymore. We tend to equate this responsibility with philanthropy which is a nice to have component of our responsibilities, and we should not shirk from it. We need to look beyond philanthropy and address the ripples of responsibilities to ensure continuity and sustainability of our business enterprise.

Syngenta is committed to making a positive contribution to the communities in which it operates.

Wherever we operate, we seek to make a positive contribution, creating economic, health and social benefits for the community, respecting local customs and traditions, and are ready to listen and respond to people's concerns.

Syngenta Code of Conduct

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Mobilizing CSR Funds in Bangladesh

The more common notion is that it should not be confused with charity. CSR is the obligation of business to make significant contribution to sustainable economic development, working with employees, their families, the local community and society at large to improve quality of life. Thus it can benefit both business and development as a whole. Beyond maintaining corporate good governance, CSR can be understood as society's expectation of private/business sector to take up social responsibilities.

The private sector argues that they are contributing to society by generating employment and creating production assets for the country. However, in many cases it is seen that this contribute does not compensate for the loss to any physical as well as social environment. Business has responsibilities to contribution to long term and environment friendly socio-economic development using business profit. In Bangladesh, the private sector is more orientated towards corporate good governance compliance due to foreign pressure and competitiveness.

Compared to other countries, "CSR" and its true application has not yet taken hold in many private sector organizations in Bangladesh. In fact the "corporate culture" has not grown to that extent for which one of the reason is that the private sector is not that old or experienced. The most important aspect of corporate culture is paying proper taxes and maintaining international standards of transparency and accountability. However, in the last few years a number of interventions has taken place resulting in debates and dialogues among private sector stakeholders. It has created opportunity to open up window for mobilizing CSR fund for long term development.

At this juncture, a relevant question may be raised if there is any distinct role of government to encourage and ensure correct use of CSR funds? Since the government should view CSR as a cost effective means to enhance sustainable development it has certain facilitating as well as regulating role in this regard. Some recommendations that have already been discussed in various forums may be highlighted.

- Creation of a CSR board with representation from relevant government offices, civil society and business for necessary policy guidance, monitoring CSR fund criteria compliance and assessing the overall impacts
- Tax incentive, profile enhancing measures and legislative incentives for corporation/private sector
- Encouraging public private partnership in using CSR fund
- Flexible tax laws to encourage corporate giving.

The overriding need to deliver sustainable and equitable development emphasizes the importance of achieving a better understanding of the role of public policy in relation to corporate social responsibility and its potential to contribute to the development agenda. From this perspective it is urgent to continue dialogue with government to formulate a clear policy guideline on the use of CSR fund. Finally, CSR should be a balance of good business practices which is environmentally sustainable and corporate giving, which means giving away a portion of the profit a company makes for social development purposes thereby impacting directing on the lives of vulnerable people.

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NBR-MRDI meet on tax incentive

Participants in the meeting felt that there were scopes for improvement and modifications in the SRO. The list of CSR activities could be further expanded and some of them could be rephrased. Modifications can also be made about the qualifying requirements for availing the tax rebate.

Based on the discussions, the NBR requested MRDI to put forward specific suggestions, identifying the areas where such modifications could be made.



A team of MRDI, after thorough review and discussions, proposed some modifications to the list of specific CSR areas and conditions for eligibility. The recommendations were later sent to NBR for consideration.

Among others, Members of NBR Jahan Ara Siddiqui, Syed Aminul Karim and Aminur Rahman, NBR officials Abu Taher Chowdhury and Ruhul Amin,

Editor of The Financial Express Moazzem Hossain, Director (Governance) of Manusher Jonno Foundation Farzana Naim, Deputy Editor of the Daily Star Inam Ahmad, Executive Director of MRDI Hasibur Rahman, External Relations Head of World food Programme Emamul Haque and Adviser, Planning and Development of MRDI Md. Shahid Hossain took part in the discussion.

Review of tax benefit in support of CSR activities

Doulot Akter Mala

Senior staff correspondent, The Financial Express

A review of the situation about the outcome of the tax incentives that the government had provided to the corporate houses for undertaking activities in the nature of corporate social responsibility (CSR) gives otherwise a disconcerting picture.

The government offered tax incentive in the form of a 10 percent rebate on the amount of funds spent on CSR activities to the businesses to encourage the latter to be pro-active on CSR. The statutory regulatory order (SRO) to this effect was issued in January 2009. The National Board of Revenue (NBR) offered this tax exemption facility in response to the demand of the corporate houses. The government offered this facility across the board in support of CSR activities as it found it preferable to providing the same separately to different corporate entities.

Now almost after one and a half years after the SRO was issued, the review of its working indicates that it has so far left little impact on corporate houses as far as their CSR activities are concerned. Not many corporate houses have come forward to avail themselves of this facility. None of the corporate entities has so far furnished any documents to the tax authorities seeking waiver for funding CSR activities.

Meanwhile, a number of corporate houses have suggested for extension of the facility, within a more clear and focused framework. Furthermore, they would like to see the extension of areas alongwith a review of its existing pre-conditions, in order to make it really effective. Some banks and multinational companies are reported to be maintaining and expanding their CSR activities, without availing themselves of the tax benefit.

Some important areas of CSR activities, according to some business groups, have not been covered under the SRO relating to tax exemption benefit allowed by the NBR. Such areas, they suggest, should be included for CSR operations to attract the corporate entities. Funding support for organizational capacity building, promotion of technical skills, small-scale infrastructure building, addressing sanitation and health related issues, and rehabilitation for drug addicts can, they note, be considered as CSR activities.

Citing one such particular area, some concerned business groups note that arsenic has become a major health concern in recent times. Support for arsenic prevention can be included as CSR activities. Furthermore, they have pointed out that supports for improving sanitation facilities in the hill-tracts, coastal belt and areas affected by river erosion do deserve to be considered as CSR activities.

There are likewise suggestions by some corporate houses to cover CSR activities for promotion of information communication technology (ICT) sector under the list of areas that are now eligible for tax-exemption facility. That will be in conformity with the goal of the government for achieving 'Digital Bangladesh'. CSR support for setting of IT training institutes, information service centre, free computer education for poor students etc. can, as the suggestion goes, be included in the CSR list.

Under the existing provisions of the SRO, corporate houses have to comply with a set of pre-conditions in order to qualify for taking the benefit of tax-exemption facility. Fifteen areas of CSR are, thus, eligible for enjoying the facility.

For CSR related tax exemption, the NBR has now selected three broad areas – economic, environmental and social development.

Under the economic sector, agricultural production and processing, crop diversification, employment generation, education and training will be considered for tax exemption.

Environmental area includes global warming, ecological balance, pure water management, forestry, city beautification and waste management.

Under social development, companies supporting establishment of homes for the old people, promotion of women rights issues, making donations to HIV-AIDS campaign agencies, welfare activities for the disabled, support for public universities, post-natural disaster relief activities, welfare activities at grassroots level for children and acid victims, will get the tax waiver.

The NBR has set five pre-conditions under CSR rules that should be followed to enjoy the tax incentives.

Corporate bodies will, thus, have to follow labour compliance issues, including ensuring

proper wages, elimination of child labour from workplaces, woman workers' right, in order to qualify for getting tax benefit. They will have to be conscious about environment pollution and must have waste management facility, the conditions stipulate. Corporate entities will have to furnish all documents for funding related to CSR activities to the tax authority to get tax rebate.

On their part, the businesses now suggest that support for undertaking and promoting agro-research activities should be considered as an area of CSR activity for the purpose of tax-exemption benefit. Agriculture, they note, is the 'life-line' of the economy. But, due to insufficient land-man ratio it is important to conduct detailed research on agricultural development so that country can maximize the utilization of fallow land, fertilizer, seeds and agriculture equipment. This is why research in this sector, businesses suggest, can be considered for CSR activities.

The NBR has formed a high-powered body to review on extension of CSR areas and revise the pre-conditions in the prevailing context. It will withdraw tax exemption from different sectors and include those under CSR areas in the forthcoming budget. The board has estimated that tax exemption in various areas eats up around 2.5 per cent of the country's GDP. It intends to offer reduced rate of tax through CSR instead of full-tax exemption.

Some new sectors including free medical services for poor, solar panel, climate change, bio-mass processing, bio-diversity, shelter for slum dwellers are likely to be included as new areas for CSR in the upcoming fiscal year.

The NBR is also planning to incorporate specific criteria relating to payment of wages to workers and employment of child labour to enable the companies, especially export-oriented businesses, avail themselves of the tax benefit.

Meanwhile, experts have come forward with a new definition of CSR, designating as PPP -- profitability, people and planet. This complies with the need on the part of the companies to think for people and planet along with its prime goal of making profit for survival.

CSR Catalogue

Like previous two issues of CSR review, a catalogue of business houses practicing CSR prepared through random monitoring of reports published or telecast by the national media over a certain period is being placed on this page of the current issue of the newsletter. This time the monitoring period was December 2009 to May 2010. We would highly appreciate if the corporate houses send information on their CSR initiatives to csr@mrdbd.org. Since MRDI works with media and journalists, the news about such initiatives will certainly reach a large audience through them.

Health



Education



Rehabilitation



Environment



Infrastructure Development



Social Awareness Building



Facilitating Marginalized / Vulnerable groups



Livelihood support



TEAM

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