

CSR REVIEW



In their eyes

Both the conceptual and contextual issues, relating to corporate social responsibility (CSR), are now being widely discussed and debated in Bangladesh. The Management and Resources Development Initiative (MRDI), along with other actors, have been pro-active on all inter-related matters about CSR. Thanks to such endeavours on a sustained footing, the conceptual aspects of CSR and its contextual elements -- policy support to CSR activities, expectations of the corporate sector from the government, CSR and corporate compliance, CSR in relation to charity and philanthropy etc., -- have, thus, drawn a wider focus than before. Such issues are being discussed at length by business leaders, academics, policy-makers and civil society members.

There is no denying of the need for having clarity on the conceptual frame-work of CSR and the means for utilizing CSR funds in the

context of Bangladesh, as in any other developing country, for obtaining better outcomes of CSR activities by all concerned. Such a framework can well be developed through a process of active engagement of all stakeholders for having a broad consensus among them on inter-related issues.

With this end in view, we have interviewed three important personalities representing policy-making bodies and the civil society -- Dr. Atiur Rahman, Governor, Bangladesh Bank; Syed Aminul Karim, Member (Tax appeals and exemptions), National Board of Revenue and Professor Mustafizur Rahman, Executive Director, Centre for Policy Dialogue.

Journalist Zulfikar Ali took the interviews. Here are the texts of the interviews.

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CSR and corporate governance

Ashfaque ur Rahman

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In contemporary society, there is a demand for corporations to act ethically. The risks are diverse with significant financial impacts. Traditional governance tools fail to capture these new and emergent risks such as labor issues in the supply chain, environmental stewardship, human rights, and other issues society cares about and which can be extremely material. Corporations lacking processes for identifying and managing these risks collapse, not only bringing monetary losses for shareholders but also result in job losses for employees who are directly or indirectly associated with them. These economic and emotional losses indicate ineffective and inefficient governance of the corporations.

The social, environmental and governance issues that can have a material impact on corporate financial performance, links social, environmental and governance practices. Moreover these issues can have a strong impact on reputation and brands, an increasingly important part of company value. Companies that perform better with regard to these issues can increase shareholder value by, for example, properly managing risks, anticipating regulatory action or accessing new markets while at the same time contributing to the sustainable development of the societies in which they operate.



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Sustainability of CSR activities for sustained business growth

SUSTAINED business growth is largely contingent upon a pro-active stance of corporate entities, companies and/or enterprises, on issues of broad societal concern. There is no denying that the prime goal of businesses is to make profits on their investments. But such entities cannot expect to operate, from medium- or long-term perspectives, for sustainability of their growth and expansion, with profits as the sole goal. That is precisely the reason why the concept of socially responsible business enterprises or corporate bodies has come to limelight. More and more business entities now continue to embrace 'corporate social responsibility' (CSR), as an important operational tool, as part of their endeavours for close integration with the society within the ambit of which they do their businesses. They do deploy a part of their profits for improvement, in one way or other, of the socio-economic conditions and also the natural environment including habitat, in and around and also beyond their operational locations or sites -- and that too in a sustainable manner. This way the businesses are endeavouring to integrate themselves with the theme, 'Towards a Caring Society'.

The CSR is, however, not purported to yielding or adding to, profits of an operational business unit. It is a beyond-profit operation. But it helps improve the broader conditions of living in the society and, thus, promote healthy growth of the overall business environment that can ensure sustained long-term growth of enterprises.

It is worthwhile to note here that CSR involves a voluntary process. It is not necessarily a corporate governance (CG) matter. The regulatory regime and related compliance issues are largely related with CG. However, the CG in today's world of business is also going beyond the traditional governance functions in order to incorporate the value dimension for encouraging the efficient use of resources and promoting accountability and transparency for "the stewardship of those resources". Nonetheless, the CSR must not be confused with corporate governance, though it is widely expected that business entities that practice standard -- and yet evolving -- CG rules and norms, would also otherwise be pro-active on the CSR front. To put it other way, corporate houses and enterprises that are involved in CSR activities do follow the standard norms about the CG in their business operations. But CSR means going beyond compliance and other pro-active steps, in support of the business practices that seek to ensuring transparency, accountability, fairness and trust. It aims at building a strong and cohesive community of a broad range of stakeholders.

On its part, the Management and Resources Development Initiative (MRDI) has been working for past several years to sensitise the business

community and the media in Bangladesh about the valuable role that the CSR, as a voluntary operational strategy, can play, for achieving the goals of inclusive growth and a caring society. It has had several rounds of interactions with the leading members of the country's business community, the media personalities and the policy-makers in its efforts to help identify how CSR funds can be utilised effectively and efficiently to support sustainable development, environmental protection and poverty alleviation. Several field-level investigations, involving the media personnel, have also been conducted to identify some potential areas of action where interventions through CSR can serve very useful purposes. The possible areas of public policy support for encouraging more and more business entities and corporate bodies in pro-active CSR operations have also been delineated in clear terms, in the process of discussion meetings, seminars, TV talk-shows, and other forms of interactions with various groups of stakeholders including, among others, the policy-makers.

The MRDI's publications that have been made on a regular periodic basis, have been focused on CSR-related issues and matters, from analytical, conceptual, contextual and operational points of view. All such activities have been carried out by the MRDI in partnership with Manusher Jonno Foundation (MJF). The outcome of its efforts so far has largely been satisfactory, in terms of the goals and objectives that the related partnership project has sought to achieve. There is now a greater awareness among all concerned about the importance as well as operational content and dimension of CSR activities than before. Appropriate follow-up actions on what has so far been achieved, will certainly lead to more encouraging and fruitful results, in both tangible and intangible forms.

Having noted this, it will, perhaps, be pertinent at this stage to reiterate that a positive mindset, as reflected in a pro-active stance, is the pivotal factor for promotion and expansion of CSR activities by businesses. This change in mindset is needed on the part of both the corporate entities and the relevant authorities of the government. For this to happen, companies will need to recognize, more in actions than in words, the importance of embedding CSR -- as a part of their efforts to address social and environmental issues of concern -- in their ethical strands, in conjunction with their accountability and governance structure. And also, the public policy-makers will have to provide an appropriate incentive framework for taking CSR forward to enable the organised business sector to do something meaningful to the society. On both counts, there has been some notable progress in the recent times.

For the companies, CSR does obviously mean some purposeful efforts for connecting with society, as an article of faith, from a strategic perspective based on a value-based approach. It implies their going beyond the law in responsibility and care for nature and long-term sustainable business. CSR must not, however, be confused with 'donation', 'charity' or 'alms-giving'. It is, no doubt, voluntary in its operational nature. But its one core aspect relates to sustainability of activities that are undertaken within its operational content and context. That requires a strategic approach on the part of businesses to CSR in order to maintain a positive and constructive relationship with their wide range of stakeholders in the society. In the process, the business entities are better placed, on a stronger footing, to promote sustainable competitive advantage as well as to develop their strategic strength. CSR activities, as part of a clearly focused strategy, can effectively address the concern of the society in which organised businesses or corporate enterprises, operate, especially of the vulnerable and underprivileged segment. These can pave the way for proactive inclusion of public interest in the priorities of business entities.

Effective societal outreach through community engagement and participation, within the affordable means of an individual business entity depending on the scale of its operations, will then facilitate CSR to become integral to sustainable growth. For this to happen under the given socio-economic circumstances and environmental situation in Bangladesh, the companies do need to adopt a holistic approach to their businesses by imparting thrust on the aspect of sustainability in its wider connotation that includes the environment and the society and does not, of course, exclude good corporate governance. The CSR engagement can, however, take various forms, reflecting businesses' concern about, and focus on, different priority areas. Such areas may encompass diversified activities like environmental preservation, human skill promotion and upgradation, vocational training, promotion of gender justice, facilitation of access to education at different levels to the underprivileged and the disadvantaged, helping the physically challenged and other marginalised communities, health-care support and other such interventions.

Thus, a holistic approach with sustainability focus is critically important for all diverse forms of CSR activities to help create a strong base for a caring society in Bangladesh at its present stage of development. On its part, the MRDI does strongly believe that a virtuous cycle of inclusive growth can be created well, when such an approach to CSR, on the part of organised businesses, takes a firm root in this country. It is firmly committed to making its unstinted endeavours in the days ahead, to make that happen sooner than later. That will certainly help to move forward the CSR activities for shared progress and prosperity of the concerned.

CSR and corporate governance

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Corporate governance (CG) is going beyond the traditional core governance functions to incorporate the values dimension. It is concerned with holding the balance between economic and social goals and between individual and communal goals. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and the society.

Part of the governance process is determining what kind of corporate citizen the company seeks to be; corporate social responsibility (CSR) is part of this exercise.

CSR is a concept by which organizations decide to contribute in the well-being of society and environment. It is when organizations go beyond the compliance of laws and regulations and encourages the positive contribution in the social, economic, and environmental well-being of society as well as investment in the areas which are being negatively affected by the operations of a company. As an emerging aspect in organizations that deals with the responsibilities of organization to its workers, consumers and others, CSR also encompasses a variety of concepts such as, environmental issues, public relations, corporate altruism, and management of human resource and societal relations.

The degree to which CSR governance practices influence or drive a company's CSR performance depends on the nature of CSR embedment. Firms whose CSR values are highly aligned and embedded throughout their operations will include CSR considerations in their business strategy, which will in turn drive positive CSR performance. The link between CG and CSR can facilitate a corporation to act as a more responsible and transparent entity.

Businesses should ensure that they operate environmental initiatives, particularly reduction programs on resources, energy, and emission, as well as social programs, especially social support and customer response. Training and education, occupational health and safety and employee relations may provide different returns to business, such as efficiency, or loyalty to the organization. Governments can promote more CSR actions through more positive incentives, such as tax reductions or exemptions, rather than through mere command and control approaches in terms of laws and regulations.

There is an emerging paradigm of governance that perceives CSR and corporate governance to be one and the same at the level of values: an ethical strand joins governance with CSR thinking. CSR drives a changing basis of accountability within a business, which drives the basis on which corporate governance is framed and implemented. To address these emerging accountabilities companies come to understand that they need to embed CSR in the governance structure. While corporate governance is now defined in a way that includes risk management, it is a question of what risk one is looking at — in the case of CSR, social and environmental risks.

The positive management of stakeholder relations should result in lower operational risks such as less disruption, fewer law suits, and reduced brand risks. Risk management is also about leveraging market opportunities, with companies addressing social and environmental issues having an opportunity to grow their business in new and competitive ways. From a strategic perspective, for example, maintaining a positive and constructive relationship with non-financial stakeholders can play an important role in promoting the sustainable competitive advantage of an individual firm. Companies which do this well will develop strategic strength. Some go even further and maintain a huge market share that is there to be gained in going beyond the law in responsibility and care for nature and the people.

Employees are a key driver of CSR. To produce long term quality and sustained market leadership, and thereby generate shareholder returns, companies must unlock employee motivation. Companies that live a value-based approach can generate employee pride, motivation, and dedication with positive benefits on employee productivity and ultimately financial performance. The key issues of risk management, diversity and disclosure are relevant to the operations of a good board, and these practices are governance functions under the CSR rubric and a properly governed organization ought to be concerned about these issues.

Once these fundamentals are established, external pressure (society, stakeholders, global issues, and scandals) and internal forces (employees, accounting, etc.) will drive meaningful CSR performance. Highly aligned CSR firms achieve positive CSR performance. The converse is also true. Governance practices such as risk management, diversity, disclosure, and compensation can be seen as enablers of corporate responsibility performance: as preconditions for CSR performance, the more these fundamentals are clarified, consistent, and integrated into the business, the greater the CSR outcomes.

Striving for inclusive growth and a caring society

Management and Resources Development Initiative (MRDI) in partnership with Manusher Jonno Foundation (MJF) has been working to sensitize the corporate sector and convince the policy makers on how CSR funds could be used effectively and efficiently to support sustainable development and address poverty issues. Among others, one activity of the initiative is conducting social investigations to dig out some cases of priority that could be intervened with CSR funds as model projects. Methodologies of the investigation included screening of media contents, focus group discussions, interview of the target beneficiaries and video documentation of the issues.

At the first phase three such interventions were identified and presented before the business community, policy makers, development partners and the civil society members. The presentation was widely applauded and some corporate houses expressed their willingness to be a part of the initiative. Some of the interventions are now in the process of implementation.

A second phase of investigation took place where three more areas of priority were identified. This time education, health services and climate change were identified as issues closely linked with poverty. The proposed interventions of this phase are

- **Health facilities in the Sunderbans**
- **Cleaning up of Saint Martin's coral island**
- **School infrastructure development programme**

Unlike the first phase, this time presentation of these interventions will take place in and outside Dhaka involving a greater range of business community.

Health facilities in the Sunderbans

Scarcity of drinking water is a threat to health and life of the people of a village adjacent to the mangrove forest of the Sunderbans. These people have very little access to safe water. Women have to collect drinking and cooking water from far off ponds. Despite their chronic physical ailment, there are hardly any health care facilities nearby. People collect fuel for cooking from the forest under the risk of being attacked by tiger.

This initiative aims to improve health conditions of 2000 people of 225 families of Laudob village of Khulna district with special focus on women and children and improve overall poverty situation of the village.



For their very survival, the people of Laudob immediately need some specific help which include provision of safe drinking water, health care services and indigenous improved oven for household cooking. This will secure life and health of people in terms of preventive and curative aspects. Moreover, if improved oven is supplied to the families, people will collect fuel from nearby bushes instead of destroying forest trees, thus contributing to protection of the environment.

To cater to these immediate needs of the people of Laudob, three activities have to be implemented with priority. Firstly, four existing ponds of the village which are filled with saline and filthy water have to be re-excavated and maintained properly for using as source of fresh water. Secondly, mobile health camps will have to be arranged twice a week in the village. One doctor and one paramedic will provide health counseling and services. Lastly, low cost improved oven have to be distributed among 225 families of the village.

Community people and a relevant organization will implement the activities. MRDI will monitor progress of the activities.

For details please visit

www.mrdi.org/csr/investigation2/sunderbans

Cleaning up of Saint Martin's coral island

Saint Martin's, a small coral island in the southernmost corner of Bangladesh and a tourist attraction is now under the threat of its existence. Over tourism and lack of care have put the island of natural beauty in a deplorable condition. More than five thousand tourists everyday visit this tiny island of 12 square kilometers inhabited by 7,000 people.

St. Martin's Island, the only coral-bearing island in Bangladesh, has been facing an ecological disaster. The collection of corals and shells as souvenirs by the tourists is posing a threat to coral colonies of the island. A huge amount of crude oil, plastic and other non-biodegradable waste are discharged from engine boats carrying tourists in the sea. At the same time, the freshwater supply to the island is being polluted by the urine and excreta left behind by the visitors.

The proposed initiative aims to create mass awareness among local people and the tourists about hazards of beach pollution, stop coral extraction and keep the beach clean by involving local people.

Apart from awareness programmes some activities need to be implemented immediately to save the island. These include establishing solid waste processing plants, recycling plastic wastes and digging at least 10 ponds to retain rainwater all year round. A water desalination plant can also be set up to supply fresh water.

One organization with relevant experiences will be given the responsibility of implementing the project in collaboration with local community leaders. MRDI will not operate funds for the activities directly, but monitor the implementation of the project.

For details please visit

www.mrdibd.org/csr/investigation2/saintmartins



School infrastructure development programme

The objective of this initiative is to facilitate primary education of the deprived children of remote areas of the country. Insufficient number of schools and miserably poor facilities keep a vast majority of children of these areas out of school education. This pilot project aims to develop infrastructure and classroom facilities of some selected primary schools of Char Fashion upazila of Bhola district thus complementing and supplementing government's efforts to ensure universal primary education.

This one year project will develop infrastructure of 14 primary schools of Char Fashion upazila. Repair work of buildings will be done in 10 schools, whereas tin shed buildings will be constructed for four other schools. Necessary furniture will be supplied to all these schools.

School management committee, with the support of community people will implement the infrastructure development works. MRDI will not directly operate the funds, but will monitor the progress of activities.

For details please visit

www.mrdibd.org/csr/investigation2/school



Corporate Social Responsibility (CSR) is not a revenue expense. Rather it is a long term investment. Its benefit is not visible to the corporate sector in a short period. But definitely it has got a long term benefit.

This view was expressed at the second phase of TV talkshow on CSR produced by MRDI and aired over a private TV channel. Business leaders, media personalities, academics, policy makers and government officials took part in discussions of the six episodes of this phase of the show.

CSR is giving back to the society where you make money from. Business people should not serve the interest of its shareholders only. They should look into the interest of other stakeholders, which means the society as a whole. This is the concept of CSR, the discussants said.

Regarding the principle of business they said, ideally, businesses stand on three columns: Profitability, People and the Planet. The issue of profitability naturally gets the priority. But the issues of people and the planet can hardly be ignored. CSR looks at the welfare of people and conservation of the planet.

CSR relates to wealth sharing. Companies generate wealth through institutional efforts and it is expected that benefit of the wealth generation will partially go to the society, the discussants commented.

The discussants talked about need for policy support in carrying over CSR activities in the forms of tax and non-tax incentives. Regarding tax rebate for CSR, one expert said, "Tax break to any sector is a form of revenue expenditure of the government. Because the amount rebated is a deduction from the total revenue to be earned by the government. So tax rebate will be effective if sectors concerned demonstrate proper responsibility to the society." Referring to our culture of corporate sector one discussant observed, "Tax holiday facilities should be allowed only to the corporations, and not to any privately owned organizations. This will encourage development of more companies and volume of corporate sector will expand in our country." Another discussant termed claiming benefits for doing CSR as contradictory to the voluntary spirit of CSR.

While discussing about policy support without involving any rebate of taxes, the speakers mentioned provision of institutional recognition or reward for CSR by the government which has not been introduced so far. They further observed that instead of providing direct tax benefit for CSR, government may provide business promotional incentives on import or export to the companies having good CSR programmes.

Discussants of the show representing the government expressed their perspective on policy support to CSR. Statutory Regulatory Order (SRO) of the National Board of Revenue (NBR) and circular of Bangladesh Bank regarding CSR were discussed. It was mentioned that since our corporate culture has not developed to the desired extent, some qualifying conditions have been imposed on the companies who want to avail the tax rebate facility for CSR. These conditions are related with internal governance, labour rights and welfare and waste management in case of factories.

MRDI talkshows on CSR

Participants highlight the need for policy support



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In recent years Bangladesh Bank has also been playing a pro-active role in promoting CSR activities involving the commercial banks and financial institutes. Bangladesh Bank has issued a circular mentioning the areas which the financial sector can claim as CSR activities. This is an analytical and forward looking circular. Publishing an Annual Report providing a total picture of the CSR activities of the banking sector is a bold step of Bangladesh Bank in promoting CSR.

Referring to industrial waste and environmental pollution, the discussant from Bangladesh Bank informed that Bangladesh Bank has allocated 200 crore Taka for providing soft loan to industries to build effluent treatment plant (ETP). Factories can avail this loan and comply with the regulations of environment protection.

Discussants representing corporate sector emphasized upon a positive mindset for doing CSR activities. "Positive changes are taking place in the mentality of factory owners. A positive mindset is the most important factor. Incentive can only be an auxiliary issue. Without a positive mindset, incentives will not have a long term impact," they observed. Change in mindset is required for both the corporate sector and the government regulatory authority. A cooperative and supportive mindset can take CSR forward to do something meaningful to the society.

The discussants further observed that corporate sector, in general, is expected to complement the social development efforts of the government. Because existence of everything depends upon the existence of the society. On the other hand, a company does not exist for its shareholders. They are only the business initiators. The other stakeholders like consumers, civil society forum, media, public representatives and common people protect the brand of the company and take the business forward.

Corporate representatives also mentioned some of their expectations from the government. They said definition of CSR and necessary directives for its operation should come from the government. This will help CSR programmes demonstrate sustainable impact. Laws, policies and regulations of the government should avoid complications to make compliance easier. Sometimes it happens that a company willing to fully comply with the government regulations faces problem due to complicated procedure. Whereas, a non-compliant company often easily evades regulations.

Referring to Public-private partnership (PPP), one academic expert said, PPP does not mean that public and private together will do business. It rather implies that together we will work to uphold the interest of the country.

Discussants of the talkshow expressed their optimistic views about CSR stating that CSR has to be conceptualized as a win-win situation. Both the corporate sector and the service recipients will be benefited by this. There is no scope of incurring any loss.

In their eyes

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Dr. Atiur Rahman
Governor, Bangladesh Bank

Question (Q). How can the government put in place an effective regulatory framework to encourage, promote and, where needed, quantify CSR activities?

Answer (A). The CSR activities should really complement the government and other institutional efforts for poverty reduction, environmental conservation and promotion of social justice. Markets always can not take care of such social goals. CSR can come up in a positive way in order to respond to such needs. For example, a very brilliant student of a 'char' cannot really afford to study at Dhaka University with his or her own money. He or she needs financial support to continue higher education. Our existing market has not been able to provide access on the part of such excluded groups to the required amount of resources. Corporate sector can come forward to provide such support. Then comes the question of policy support to CSR. From my part in Bangladesh Bank, I am encouraging all the banks to respond to this kind of market failures and take care of the people who cannot be taken care of, by the market.

Environment is another issue where the markets are not always in a position to take care of the problems. The society badly requires help and support to respond to its environmental needs. So CSR activities should also be concentrated on environmental conservation; there should be a strong regulatory framework to encourage CSR activities in that area. For example, we need to promote solar energy and the market probably can not take the whole responsibility for this. So at least the private banks or the companies can provide CSR support to the educational institutions to have solar panels. This kind of support is very important.

Cultural development is also one area where CSR can play a vital role. For example, recently the Muktijuddho Jadhugor has got a fund of about Taka 25 crore from the private banks. I think, it is one of the finest examples of CSR activities. That's why central bank is trying to develop a framework to push the CSR activities forward.

Q. How do you see public-private partnership for promoting corporate social responsibility (CSR) activities?

A. To me public-private partnership is a very important factor in promoting CSR activities. Bangladesh Bank as the guardian of the country's banking sector can provide policy support and the private banks can give money. Together we can do a lot of interesting things. Vision 2021 is a commitment of the present government. Private sector should come forward to complement and supplement the government's efforts for translating this vision into a reality. This they can do by supporting the development priorities in areas like education and environment. In fact, they, particularly the banking sector, are coming forward. Bangladesh Bank is trying to ensure their participation in CSR and be more careful about quantitative aspects to measure properly such activities in the coming days. Already, we have asked the banks to fix quantitative targets as to how many solar panels they will set and how many schools or hospitals they are going to support in the coming year. They will set the target and we will simply monitor it. So the public-private partnership is very important for CSR activities. In the first CSR report of Bangladesh Bank, disaster relief and rehabilitation activities became the major segment of operations where the highest number of private banks participated to help ease the sufferings of the affected people. But in the current context, education and health are most relevant sectors for CSR.

Q. The Bangladesh Bank has taken a number of policy measures to promote CSR. How would you like to assess the impact of such measures?

A. Bangladesh Bank has taken quite a number of policies. We are still at the initial stage. We have made it almost voluntary but pretty well-motivated. The central bank is trying to motivate the banks to promote their CSR activities. They should really give their targets and we will monitor them. We also want implementation of such planned activities. You know, this will be reflected in their rating – CAMEL (C – capital adequacy, A – asset quality, M – management soundness, E – earning and L – liquidity) rating. In the rating, the CSR activity will be put as part of management soundness. With CSR activities included in the rating, it is expected that the private banks and other financial institutions will voluntarily come up to promote CSR operations to build their own image in a competitive market.

Q. Now that you have a clear picture available through separate reports on CSR by individual banks, how do you think about using such reports for greater efforts by the financial institutions to achieve the goals of inclusive growth and shared prosperity?

A. You know, every six months, the private banks give us the CSR report and we include them in our annual report. This practice will help create a positive competition among the banks. They will assess which banks are doing better in terms of giving scholarship to students, providing support to hospitals etc. Such a positive competition will have a visible impact on the CSR activities. Actually, we are motivating the private banks to ensure betterment of the conditions of living for all in the society. I can provide you one information. In 2007, the CSR expenditure of all the banks was Taka 226 million only. But in 2009, the amount increased to almost two and a half times higher, amounting to Taka 554 million. I am sure, it will increase further significantly in the current year.

Q. What is your assessment about the corporate culture in Bangladesh? How far has the Bangladesh's corporate sector accommodated CSR as a part of corporate culture?

A. Corporate culture has not yet developed properly in the non-regulated sector. But in the regulated sector like private banks, the situation is improving day by day. If we, the Bangladesh Bank, can provide a supportive policy, I think, the corporate culture will be improved. Governance structure of the banks needs to be regulated. It does not mean that we want to control the private banks but we want to facilitate them for undertaking humanitarian actions -- for greater involvement in pro-poor actions. So these are the motivational actions, we, in Bangladesh Bank, are trying to actively promote.

Q. What can be done for encouraging the banks to be more active about CSR? What the National Board of Revenue (NBR) can do in this regard?

A. We need to co-ordinate our activities with the NBR. Because the private banks are making their contributions they should be given some tax breaks. This will encourage them to come up with more CSR activities. They have already done it in education and some other sectors. But the support should be widened and the NBR can think on it.

At last, I can tell you one thing. Very soon, we will be asking the banks to give their opinion about the CSR activities with some innovative ideas. We will work on those ideas and put them into our future directives or circulars.



Syed Aminul Karim

Member (Tax appeals and exemptions)

National Board of Revenue

Question (Q). How can the government put in place an effective regulatory framework to encourage, promote and, where needed, quantify the CSR activities to measure corporate social responsibility (CSR)?

Answer (A). The National Board of Revenue (NBR) has taken the initiative to develop a regulatory framework for successful implementation of CSR activities through issuing a revised SRO gazette that replaced the previous one. It says, NBR will issue tax exemption certificates once the CSR plan of a business entity is processed through it. It will help NBR preserve relevant information. A clear picture of the companies performing CSR activities, year of their implementation and their head of expenditures, will be preserved in NBR. We will be able to provide such information on demand.

Q. Do you think that the government can play a positive role in promoting CSR, by creating an environment conducive to growth of businesses and also by facilitating the implementation of community development programmes, by the businesses at grassroots levels, with or without direct or indirect partnership with government agencies?

A. Government can definitely play a positive role in this regard. This has been clearly mentioned in the new SRO. A number of CSR activities that are eligible for tax rebate, has been increased from 15 to 22. Ten new head of expenditures have been included in the list. If you go through the SRO carefully, you will find that some areas of national and cultural importance have been included in the CSR tax-rebate list. For example, the head number 21 says, if an organisation invests money in an institute that provides technical skill training to unskilled and semi-skilled labourers, it will be counted as a CSR activity. That means the company will be entitled 10% tax rebate on its investment. If the big corporate houses pay attention to this sector, our foreign exchange earning through manpower export can be increased several times. Because, the wage of a skilled labourer is obviously higher than that of an unskilled one. Many countries of the world including India, Sri Lanka and the Philippines are earning more, through

SRO on CSR revised

The government of the People's Republic of Bangladesh has revised the Statutory Regulatory Order (SRO) regarding tax exemption on CSR activities. The order of 2009 in this regard has been repealed.

The Statutory Regulatory Order (SRO) 270-Ain/Income tax/2010, spelling out the areas and modalities for the companies and business entities for availing themselves of the CSR-related tax exemptions, was published in the form of a gazette notification on July 01, 2010. The SRO has been made effective from the beginning of the current fiscal.

The text of the translated version of the SRO done unofficially runs as follows:

SRO 270-Ain/Income tax/2010 dated 1 July 2010

Schedule Ka

(Conditions for tax rebate)

1. Companies and corporate bodies interested in availing tax rebate for corporate social responsibility shall have to

- Regularly pay salaries and allowances to their employees and have waste treatment plant facilities for their factories, where those are engaged in producing industrial goods.
- Regularly pay income tax, VAT and duties and institutional loans.
- Contribute/donate only to the organizations approved by the government under their CSR activities.
- Comply with all regulations related to labour law.

2. Expenditure made by a company house on CSR can not be shown as expenditure in the production account, trading account or profit and loss account.

3. Evidences of actual expenditure claimed to be made on CSR have to be submitted to the concerned Deputy Commissioner of Taxes.

4. Tax rebate certificate has to be obtained from the National Board of Revenue informing them about the CSR action plan taken by a corporate body.

Schedule Kha

(Areas of corporate social responsibility)

- Donation to organizations engaged in pure water management programme (Water treatment?);
- Donation to organizations engaged in afforestation programme;
- Donation to organizations engaged in city beautification programme;
- Donation to organizations engaged in waste management programme;
- Donation made through any government agency to minimize public suffering as the consequence of natural disaster like, cyclone, earth quake, tidal upsurge or floods;
- Donation to organizations engaged in establishing and running old age home;
- Donation to any social organization engaged in welfare of mentally and physically disabled persons;
- Donation to educational institutes providing education to destitute children;
- Donation to organizations engaged in habitation project for slum dwellers;
- Donation to social organizations engaged in women's rights and anti-dowry awareness programmes;
- Donation to organizations engaged in rehabilitation and upbringing of orphans and destitute children;
- Donation to organizations engaged in research on liberation war, revival and expansion of the spirit of liberation war and provision of better living for the freedom fighters;
- Donation to organizations engaged in hygienic sanitation in CHT, river eroded and char areas;
- Donation to organizations engaged in treatment of cleft lips, cataract, cancer and leprosy;
- Donation to organizations and individuals engaged in treatment and care of acid victims;
- Donation to specialized hospitals such as cancer, liver, kidney, thalasamia, eye and cardiology for free treatment of poor people and improvement of standard of services.
- Donation to organizations engaged in free distribution of contraceptives at the user level in order to address population problem of the country and in organizing voluntary sterilization camp;
- Donation to public universities;
- Donation to any educational institute affiliated by the government for expansion of technical and vocational education for poor meritorious students;
- Donation to any government or MPO enlisted non-government educational institute for setting up of computer or IT lab or implementing English teaching programme;
- Donation to organizations engaged in providing technical and vocational training to unskilled and semi-skilled labourers for exporting manpower; and
- Donation to organizations engaged in infrastructure development and training for sports at the national level.

remittances, by exporting skilled labourers. Similarly the new SRO has emphasized on research on our great liberation war and promoting its spirit and ideals. It has included free medical treatment to the poor, sanitation in low lying and river eroded areas. All these are the outcomes of the government's positive thinking about promoting of CSR activities.

Moreover, the previous SRO was somewhat complicated. That discouraged the companies to avail themselves of the opportunity of tax rebate through spending for undertaking CSR activities. Taking this into account, we have made it easier and friendly. For example, one precondition for tax rebate was regular payment of salary and provision of provident fund and gratuity. Very few companies in Bangladesh have these facilities. So NBR has revised this clause and mentioned that regular payment of salary would be enough. This will hopefully encourage many companies to avail themselves of CSR benefit by engaging themselves in CSR activities.

The CSR programme is running through public and private partnership. Private sector is investing in a constructive way. Government is promoting related activities by providing tax exemptions and, thus, by not charging the tax on the whole amount of profits of that company.

Q. Is there an enforcement mechanism in place in Bangladesh to ensure proper compliance by companies for enjoying tax benefits for CSR?

A. This issue has been clearly mentioned in the new SRO. It says, a company has to submit the papers of evidence to the concerned Deputy Commissioner of Taxes regarding its expenditure on CSR activities during the year. Tax exemption on CSR expenditure will be given, after examining the documents. So no one will be able to take advantage of the facility relating to tax exemption without spending on CSR. The SRO also mentions that the concerned business houses have to inform NBR about their CSR plans and obtain tax rebate certificates from the NBR. That means, not only the Deputy Commissioners of Taxes, but also the NBR will oversee proper use of funds for CSR activities. We hope this two-tier monitoring will ensure transparency relating to CSR expenditure.

Q. Is there any scope for smaller companies for partnering in CSR activities for their optimal operational social benefit? What can be done policy-wise to facilitate this?

A. Any company – big or small – can avail itself of the tax rebate facility by implementing CSR activities. Because the SRO has not fixed any maximum or minimum limits for CSR expenditures. So any company can take part in CSR activities according to its ability. This participation of all concerned businesses will certainly benefit the society.

Q. There are many good examples of CSR activities in other countries of the world and even in some of our neighbouring ones. How far has Bangladesh, in this context, been able to accommodate CSR as a part of corporate culture?

A. This issue is debated globally. For example, popular food-chain shop, McDonalds spends a huge amount of money in CSR every year. But the food items they sell to earn money are extremely hazardous to public health. Similarly eminent cigarette producer, British American Tobacco, spends a lot on this head of expenditure. But smoking is extremely injurious to health. There are many such companies who spend money for CSR but their activities affect people in many ways. It is believed that such companies spend money on CSR activities to conceal their harmful acts. But certainly there are companies who are involved in CSR activities for promoting welfare of the society. For example, some banks and insurance companies are spending money to encourage sports and games. This is a good sign. Again, there are companies who are participating in CSR activities to brand their commodities. Some mobile phone companies are doing this in our country. Despite all these debates, I think CSR will become popular in the corporate world even in our country within a decade. Government has started monitoring and oversight in this area. So we don't need to be frustrated about it.

Q. During the last couple of years and also this year, the government has taken some measures for incentivising the companies to undertake CSR activities. How far have such measures been helpful to promote CSR? What more measures do you think can be taken up in areas of fiscal policy and regulatory regime to encourage companies to undertake CSR activities?

A. Social development priorities change in course of time. The social development issue which is considered most important today, may not be so, after a certain period of time. NBR takes this into consideration while developing or modifying policies. This has happened in the case of CSR also. We have added some heads of expenditure under the CSR list in the light of social development priorities in today's context. More areas may be included in future for tax exemption purpose, taking their importance into consideration.

Another thing has to be noted. We are trying to phase out the tax holiday facility gradually. If we succeed in this initiative, we will consider more tax exemption for the companies to encourage them undertake CSR activities on an extended scale.

Q: What role can the media play in expanding the scope and also deepening the areas of activities of CSR for promoting social development, particularly for poverty reduction?

A. Media has a very important role. Media can suggest how the expenditures on CSR can be expanded further and also about which of the areas in the existing CSR list are not so important. Media can also come forward with more investigative reports on whether the companies are utilizing the CSR money properly for which they have taken the advantage of tax exemption. So media can play the role of a watchdog.



Professor Mustafizur Rahman
Executive Director, Centre for Policy Dialogue (CPD)

Question (Q). Can the government play a positive role in promoting corporate social responsibility (CSR)? Can there be any partnership between the government and the businesses for synthesizing the purposes of CSR within the broad goals of national development?

Answer (A). Corporate social responsibility, by definition, involves a voluntary process. So I think, pushing particular corporations towards certain direction by explicit instruction, will not serve the purpose. At the end of the day, the corporations themselves should appreciate the necessity and the benefits of undertaking CSR initiatives. But having said

that I think, the government can play a positive role in giving the right signals to the corporate bodies and business entities to undertake CSR activities in areas of broad societal concern. This, of course, can be done through various fiscal and other initiatives.

There can be public-private partnership (PPP) in terms of directions to CSR in certain areas which are thought to be of priority from the perspectives of national development. So I think that there is a scope for partnership and sharing of CSR activities in certain areas which are perceived by the government to be of high national priority.

Q. Many people say companies in Bangladesh do largely lack in passion and commitment to CSR and also in a vision about long-term planning. What do you think about this?

A. Well, the concept of CSR is something new in Bangladesh context, although business enterprises here have been making various donations and participating in various good causes. But to consider it as a strategy in terms of contribution to the society and also as a long-term development goal, of the overall businesses, is something new in Bangladesh. Still it is a good beginning and should be encouraged. But the companies in Bangladesh, hardly have a vision which the multinationals operating in other countries do have. Such companies have been engaged in CSR activities for a long time and they are continuing it while having investment in Bangladesh. Many of the Bangladeshi companies are doing it firstly to meet people's expectations and secondly to promote their own business and build image.

Q. How do you look at the role and relevance of a regulatory framework to encourage and promote CSR activities in priority areas?

A. I think that although many of the companies and corporations in Bangladesh are participating in the CSR activities, most of them do not have a comprehensive strategy about where do they want to go, and which area they have to concentrate on. Very often they do it on an ad-hoc basis. And there is a lack of a long-term planning. From this perspective, there is scope for many of these entities to have a strategy of CSR which they could pursue over time by fixing certain goals. Such goals could be different for different companies. But a long-term vision is important for sustainable CSR.

I think the regulatory framework is important in a country like Bangladesh for encouraging and promoting CSR activities. If we can focus on certain priority areas for CSR activities, we can really make a difference. So the regulatory framework which encourages CSR activities particularly by way of identification of some areas of national priority, is certainly important.

Q. What should be the key focus of an enforcement mechanism to ensure compliance by companies for enjoying tax benefits for CSR?

A. I think this is important because if the companies or business entities enjoy tax benefits for their CSR activities, they have a responsibility to the government and also to the society that such activities would be carried out on a sustained basis in certain identified areas with a desired quality. That is more because tax rebate means that the government is foregoing a portion of its income. So the companies which benefit from the tax breaks, have a responsibility to implement those activities and there should be some enforcement mechanism. The focal point here could be the National Board of Revenue (NBR) which is responsible for providing the tax breaks. It does also need to have a monitoring mechanism in order to ensure that the companies could enjoy the benefits for undertaking CSR activities for defined purposes. There should also be a built-in mechanism within the tax regime and related regulatory mechanism to discourage those trying to take any unfair advantage of such breaks.

Q. There are good examples of CSR activities in other countries of the world and even in some of our neighbouring ones. How far do you think Bangladesh has been able to accommodate CSR as a part of corporate culture?

A. The concept of CSR is quite old and many of the countries including neighbouring India, have a long history of CSR. In Bangladesh, although the corporations are gradually becoming interested in CSR activities as a part of their evolving corporate culture, I would say that the process is slow and it is still confined mostly to large corporations and multinational companies. I hope that gradually local companies and medium enterprises will take it up. Because at the end of the day, CSR activities also mean good business. The clients expect from the company that it will be involved in some CSR activities.

Q. During the last couple of years and also this year, too, the government has taken some measures to encourage CSR activities by companies. How far can such measures be helpful to enable the companies to be more pro-active about CSR? Would you like to suggest any further more public policy measures that, you think, would be more relevant to the situation in Bangladesh at this stage?

A. The government and the various organs like the NBR and the Bangladesh Bank, are taking a lot of interest in encouraging more and more companies to take part in the CSR activities, while giving benefit to those which are already involved in the same. I think, tax break is one important incentive. But some other incentives, in the nature of moral suasion, can also be provided by encouraging better CSR performers through giving them recognition in different forms. On the other hand, the particular company will also receive a wider appreciation of its CSR profile, by the citizens.

Q. The context in which businesses operate has a strong bearing on their voluntary activities in the domain of CSR. This context also includes the legal infrastructure, created by the state and the enforcement mechanism operated by the government. How would you like the government to do the needful in this context for the businesses to behave in a more socially responsible manner? How can government of Bangladesh create favourable conditions to facilitate the businesses to be more responsible to the society?

A. I think that it is very important because some companies are involved in CSR activities while not doing the needful within their own organization. The examples can be cited here about their maintaining a good working environment within their factories and providing the minimum wages or good compensation packages. We should not forget that the charity should begin at home. Sometimes, we see that a company does CSR but its own relationship or dealing with its own workers really needs a lot to improve. So this is the contradiction. This situation should not be allowed to continue, more particularly for any company undertaking CSR activities. The situation should be assessed from the perspective of whether the concerned companies have been able to really provide good wages, good working environment to their own employees and also whether they have really gone for activities that can be termed CSR.

So I think in the context of Bangladesh this is very important to ensure that such a situation prevails. The government needs to create favourable conditions to facilitate business to be more responsible to the society. I think it is also a matter for the government and also for the society and stakeholders in general. The awareness building campaign like the one that the MRDI does, is important from this perspective. There should be a greater awareness among the business circles that the corporations or entities that have made a lot of profit, should, at the same time, be allocating a part of that profit for the society. So this is also critical for successful awareness building campaign for raising the rudder of the citizens.

Q. How would you like to comment on the present state of, and the future scenario about, CSR in Bangladesh?

A. In Bangladesh, I think CSR is at an early stage, in terms of the needed efforts for doing it in an organized manner. CSR, in its sense of promoting broader societal welfare, is being practised in Bangladesh for a long time. The history of charity and philanthropy is very strong in this country, particularly during the times of disasters, floods etc. With various initiatives now in progress to raise awareness among the companies, we have good possibilities to move ahead for utilising CSR for the purpose of promoting sustainable development. The initiative of MRDI is a good example of such efforts. I think that such types of initiative can raise awareness among the companies for undertaking good CSR activities. Pressures also can be created on the companies for initiating moves for good CSR programmes. To encourage such activities, various kinds of social recognition can be quite useful. That is why, I am very hopeful about the future of CSR activity in Bangladesh.

CSR Catalogue

Like previous three 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 June 2010 to October 2010. We would highly appreciate if the corporate houses send information on their CSR initiatives to csr@mrdibd.org. Since MRDI works with media and journalists, the news about such initiatives will certainly reach a large audience through them.

Health



Education



Infrastructure Development



Livelihood support



Facilitating Marginalized/ Vulnerable groups



Environment



Social Awareness Building



TEAM

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