

CSR REVIEW



Photo _ The Daily Star

CSR can help promote sustainable business

One of the world's foremost voices in marketing and business, Dr Philip Kotler is currently the S.C. Johnson & Son Distinguished Professor of International Marketing at the Kellogg Graduate School of Management, Northwestern University, USA. In his forthcoming book on corporate social responsibility, Kotler argues that the stakeholders of a modern corporation encompass far more than its shareowners and that the most successful companies are those that attend to all who have a stake in it -- owners, employees, customers, and the public.

Mr. Kotler was in Dhaka recently to attend the World Marketing Summit. The CSR Review had the opportunity to talk to him on matters related to social responsibilities of businesses on the occasion. The interview runs as follows:

Question (Q): It has been said that there is one and only one social responsibility of business - "to use its resources and engage in activities designed to increase its profits". How do you see the social responsibility of marketing and business?

Answer (A): Ever since the 1970s, I have tried to distinguish between business marketing, non-profit marketing, social marketing and societal marketing. We know what business marketing is. Non-profit marketing describes the work of nonprofit organisations to attract clients and funds to support social and cultural services. I formulated social marketing as a discipline for trying to influence healthy behaviour such as healthy eating, daily exercise while discouraging unhealthy behaviour such as smoking, using hard drugs and so on.

Societal marketing focuses on the impact that marketing practices have on the well-being of society. In this case, I think that companies should distinguish between satisfying a person's needs, weighing the impact on the person's well-being, and the impact on the public's well-being. Thus smoking a cigarette meets the person's need but hurts his health and increases the public's health costs. As part of their 'social caring', companies should choose interventions that will benefit not just individuals but society as a whole. I am talking about lasting and sustainable benefits.

Q: You have written a book with Nancy Lee on corporate social responsibility. In it you have argued that CSR is good for both public relations and business. Would you like to elaborate on this?

A: In today's world, it is no longer just acceptable that a corporation does well by doing good. It is expected. The public now expects companies to behave according to a higher social standard. And guess about the outcome: operating a business built on socially responsible principles pays off. Decision-makers at companies, large and small, are learning that when they build their businesses according to the dictates of social conscience, they reap rewards such as increased profits, an improved corporate image and happier employees. And, they sleep better at night.

With increasing pressures to improve the bottom line as well as to be good corporate citizens, business leaders face tough decisions. What social issues should we support? What charities will make strong partners? What initiatives

*Syed Zain Al-Mahmood
interviewed Philip Kotler
during his recent visit
to Dhaka.*

see page 4 ►

Why businesses need CSR strategies

Business entities that have embraced corporate social responsibility (CSR) to meet the expectations of their various stakeholders and promote well-being of the community, nay the society, in which they operate do need to formulate clear strategies about goals and objectives of their CSR-related activities. A strategy is meant to be a general plan or set of plans that are intended to achieve something, especially over a long period of time. It involves the work, in its context, to operationalise action-oriented programmes in the best possible ways to reap dividends, gain advantages or achieve successes in a sustainable way.

CSR-related activities without a strategy may go off the track -- the track that is in harmony with the broad goals and objectives of a business enterprise or corporate entity, reflecting the felt-needs of its stakeholders and expectations of the community for socially responsible behaviour -- notwithstanding companies' having otherwise some good intentions. The strategy here provides a rationale, elucidating and explaining the specific purposes that companies seek to achieve through their CSR activities and operations. This can help forge effective links between inputs and outputs. CSR for business enterprises will then be focused befittingly on results'-oriented programmes.

CSR, of course, involves a voluntary process. Activities under its ambit are taken up by businesses, out of their post-tax profits, as part of their social, moral and ethical responsibilities for "giving back to the society." Such activities have no connection with efforts for earning more profits-- meaning operational surpluses beyond what the companies earn through their normal business operations. CSR activities do essentially bear out the awareness of the companies or businesses about doing something good, in demonstration of their commitment to promoting well-being of their stakeholders, the community and the society in diverse areas -- education, human skill upgradation, healthcare, public hygiene and sanitation, drinking water supplies, environmental protection, affirmative actions in support of the disadvantaged segment of the population etc., to help create conditions for inclusive growth or development. And

sustainability of such activities is one critical aspect of successful CSR activities. In the process, the businesses can reap broad benefits in the long run for their better performance, in tandem with improvements in overall conditions of living and quality of life for the broad sections of the people, particularly the disadvantaged or underprivileged ones.

CSR by the businesses, along with pro-active government support, can reinforce efforts for achieving the goals of a caring society. Recent developments in many countries of the world have lent strength to the view that inequality, produced by unrefined forms of capitalism, can cause wider social resent. Some people even think that such inequality is inevitable and nothing can be done about it, since it is integral to a system, at least, in the way, as they think, it works. But others see it as a fatal flaw in a system that has let them and others down, and want the system reformed.

For all practical purposes, the fundamental issue here is not about ideology or theory. It is more about a changed attitude of businesses to their various stockholders, the community and the society in which they operate. Here, the embrace of the CSR can bring about a change in the situation, as far as the attitudinal aspects of people's perception about the businesses or corporate entities are concerned. This has been taking place in varying degrees over the past two decades in particular. Harnessing entrepreneurship to improve the conditions of living for the people within the community, in different forms, on a sustainable footing can, indeed, make a great deal of difference. CSR activities on a wider scale can then have a positive impact.

Defining CSR in a straightjacket framework is not possible, as its concept and practice are evolving and ways to ensure its best practices, across the countries around the globe, are constantly being explored. But its core aspect - the aspect that relates to aligning the business proposition (making money) with pursuing societal concerns -- remains largely undisputed. However, identifying the relevant societal concerns and measuring the societal part involve still a lot of grey areas. Yet then, it is worthwhile to note here that there are some guidelines and

standards for businesses to follow and to employ CSR to ensure sustainability, in order to analyse how well they are doing and how they can improve their operations in course of time.

In this connection, the United Nations Global Compact sets out some principles. The ISO-26000 standard provides some comprehensive guidance on social responsibility for businesses. Global Reporting Initiative (GRI) lays down some points of reference for the corporate sector to voluntarily report their economic, environmental, social and governance performance. Furthermore, AA1000 and the more recent CSR Participation Ladder have delineated some benchmarks, on an international scale, for social responsibility and sustainability. All these are purported to building a strong case for businesses to be part of strategic CSR, highlighting the need for the corporate or business sector to deploy the CSR strategy in a purposeful way. That is important for the businesses to conduct their operations ethically and fairly, in dealing with all stakeholders as well as sustainability, impacting the communities in which they operate, while carrying out their normal activities in pursuit of earning profits.

Businesses are, of course, in the business of business. While doing their business, they have to comply with law and regulations. They need to follow the standards of labour laws and are not to get themselves involved in corruption. Tax compliance is their part of responsibility. They have to fulfill their duties by adhering to the provisions of the laws, prevalent in the countries where they operate, about not causing environmental damage or pollution. They have to pay a minimum wage to their workers, follow proper working hours, are not expected to employ child labour, have to ensure that women are represented well in the workplace and not discriminated against. They are responsible for their products and services and the way they make or provide them. All such issues are matters that come within the regulatory domain of the government and the businesses are responsible for compliance with all such related regulations and laws. And the businesses have to have a proper internal governance structure so that they behave responsibly and dutifully.

Let there be Light...



CSR goes beyond all these aforementioned issues. Companies that follow the rules of the game for pursuit of their normal business activities, can then play a purposeful role in the domain of CSR that are in no way related to add-on profits by them. Socially responsible business, good business ethics and standard corporate governance can then form synergies to support sustainable, equitable and broadly-inclusive socio-economic development.

Despite the fact that CSR does not have a universal definition, it does certainly reflect the recognition by businesses that they have a responsibility to the society, to third parties, and the national environment, and it encompasses the social, political and economic development. CSR is most effective when it drives off core competencies of a company's values and resources, and is not an add-on. It is meant to set the course for the businesses to be in the businesses of doing social good. It goes beyond the 'old philanthropy' of the past, individual charity and one-off activity or donating money to some "good" causes at the end of a financial year. It is meant to incorporate environmental, social and welfare-based themes into businesses plans and products. Including such conceptual aspects of CSR through aligning with the demands of numerous stakeholders and integration of the economic, social and environmental dimension of sustainability are very much critical for the companies to gain recognition as being socially responsible ones. Then, CSR initiatives in different relevant areas can become an integral part of corporate or business culture, rather than merely a publicity exercise or "smokescreen" for any unethical or unsustainable purposes.

This should make it clear why strategic CSR -- or businesses following a clearly spelt-out strategy for their respective CSR activities -- has become important. That is what both governments and citizens expect the businesses everywhere to follow. The businesses should draw up their CSR strategy, taking the felt-needs of their various stakeholders, the community and the society into account. That will ensure sustainability of their CSR activities, making it worth more than charity that can unfortunately be given at times to mislead shortcoming of their duties as socially responsible entities.

Gurucharan Sharkar, a native from the remote village of Paharpur of Hobigonj district, never experienced the pleasures of having electricity in his village, let alone his home. He spent his entire life under the scorching sun and beaming moonlight; and only saw rays of yellow light for the first time shimmering from the faraway villages.

However, he always hoped and anticipated that one day his village too will be illuminated with bright lights. But he never knew when that day would come.

But today, his wish of an illuminated village has been fulfilled owing to the Community Power Project at Paharpur and with the installation of energy saving bulb, Gurucharan Sharkar feels like a blind man who has got back his vision.

The Community Power Project of Paharpur was initiated by Grameenphone, in collaboration with University of Oslo, Norway with the aim to investigate the development of a robust and cost effective decentralized grid infrastructure based on renewable energy for rural development in Bangladesh. Moreover, the project also intended to determine how to successfully implement and socially organize such power mini-grids to facilitate social and economic development in rural areas of Bangladesh, with a particular emphasis on establishing models that are replicable on a very large scale.

Under this project, 136 homes and two temples are lit, free mobile phone charging is available and internet access is provided by the Community Information Centers (CIC) in these remote areas. Households receive this solar power from 5 pm to midnight, while the CIC and mobile phone charging booth receive it during daytime. It has great impact on the lives of the benefited villagers. Previously, villagers had to depend on costly diesel run generators to get their mobiles charged, and internet services could only be availed in the town. But the scenario is different now.

Under this project, Grameenphone is currently using their operating base stations which use renewable energy for power to provide excess electricity into the local communities through partnering. This excess electricity is provided to local communities which can be consumed

in a commercially viable way. This also enables the roll-out of CIC in areas that would otherwise be inaccessible. This creates a powerful win-win situation for both the network operator and the local community. Access to electricity promotes the participation of the rural population in both the mobile and internet revolution, thereby closing the digital divide.

Visible change is taking place in livelihood, education and access to health services. Fishing is a major occupation of the people of this locality. Communicating with buyers is vital for efficient marketing of fish. Many male villagers engage in seasonal labor migration, and access to mobile charging is thus important for the family to keep in touch. The whole community of 20,000 inhabitants is accessing mobile charging facility and internet related services from the CIC.

There is no health facility in the village. People can get in touch with medical experts and get advice through mobile phone. With the availability of electric light children can now carry on their studies after sunset.

Initially, very few villagers had any knowledge about internet. But in just six months, 400 customers had accessed internet from the CIC. Exam routines and results are the services in most demand. The principals of a high school and a college in close proximity to the CIC welcome the opportunity to expose their students to digital media. Searching for jobs through the Grameenphone CIC portal is very popular and e-governance is yet another usage area in high demand. Moreover, an information mediator is found coming regularly to the CIC to browse government websites and bringing the information back to his own community.

This remarkable change has taken place through a surprisingly small amount of power generated by solar energy panel. Only 3.15 kilowatt of electricity serves the purpose of operating the base station and meets domestic need of 136 houses.

Grameenphone's initiative of helping marginalized people to develop themselves by facilitating access to modern technology is a glowing example of responsible corporate citizenship.

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◀ from page 1

should we develop that will do the most good for the company as well as the cause? Do we just write a cheque, incorporate social messages in our advertising, encourage our employees to volunteer, or do we also alter our business practices? How do we integrate a new initiative into current strategies? How do we implement a successful program? How do we measure success?

I have attempted to help companies answer those questions. My colleagues and I have contacted dozens of companies that have exhibited high social responsibility, among them are Avon, Kraft, Levi-Strauss, Body Shop, Ben & Jerry's and Procter & Gamble. Their approaches differ and shed light on the variety of ways that a company can contribute to the social good.

A company can sponsor a major social cause, do volunteer work in the community, give philanthropic gifts or establish highly ethical business practices. We are learning how they choose their social initiative, what benefits they expect and what benefits they receive. My aim is to produce a framework that companies can use to determine what kind of social "caring" to give, at what level and with what expected results on their own business performance and on social welfare.

Q: Are you publishing another book on CSR this year?

A: I am bringing out another book focusing on a stakeholder approach to CSR. Despite growing into a global phenomenon, CSR remains an uncertain and poorly defined ambition, with few absolutes.

First, the issues that organisations should address, can easily be interpreted to include virtually everyone and everything.

Second, with their unique characteristics, different stakeholder groups tend to focus only on specific issues that they believe are the most appropriate and relevant to the organisation's corporate social responsibility programmes. Thus, beliefs about what constitutes a socially responsible and sustainable organization, depend on the perspective of the stakeholders.

In A Stakeholder Approach to CSR we have attempted to provide a more multi-faceted understanding of corporate social responsibility in its various forms, the pressures and conflicts and some potential solutions.

Q: Whether in commercial, not-for-profit or other contexts, how does society influence brands and to what extent?

A: Society is influenced by brands and society also influences brands. In the first

case, most consumers face many brands before making a choice. Every car that they might buy is a known brand. And customers have an image of each brand. Each company strives to build a specific brand image in the minds of target customers. However, the customer is influenced not only by the company's brand messaging but by their other experiences and acquaintances. I might think highly of a Jaguar automobile but a friend might tell me that his Jaguar is in the garage most of the time being fixed.

In this new age of digital communication, the brand is highly influenced by society through word-of-mouth, independent rankings found on the internet, youtube, and so on. I would go so far as to say that the image that I have of a product is more influenced by factors not controlled by the brand-owning company.

In my view corporate social responsibility is one of five factors that help a brand become well respected globally. Others are having quality products and services, good financial track record, good management and the ability to innovate. If you look at the global brands that are the best loved ones internationally, they have similar characteristics, such as considering the needs of all stakeholders and not just shareholders. Executive salaries are relatively modest and they generally have an open door policy to reach top management. These companies seem to be able to keep their costs low while still making better than average profits.

Q: How can businesses improve their CSR practices?

A: One of the main areas of improvement would be for companies to be result-oriented and choose their CSR focus carefully. Ultimately, spending small amounts of money for various different causes will fail to produce a lasting impact. A smart company wanting to be a good citizen should really choose one or two causes and champion them. It is not bad to spend money for different causes, but it has to have a focus in order to have an impact on society.

Q: Are you suggesting here for more focused CSR interventions?

A: Yes. It should be more than just handouts. A company can take up one cause among a number of social issues such as water, environment, education, health and nutritious food as part of corporate social responsibility. For example, a beverage company could focus on improving the water quality in Bangladesh by carrying out innovative campaigns to create awareness among people about the need for safe drinking water and so on.



Rodney Reed

One of the risks in perceiving Corporate Social Responsibility (CSR) as a policy of encouraging donations to people in need is that the corporate funds and company-manufactured products, made available by philanthropically-minded business men and women, are distributed in an ad-hoc and random manner. A situation can arise where the people receiving most such aid funds are in a place that is most accessible whereas the people in inaccessible places do not get any such "donation" or help. 'Easy access' might be in terms of geography -- that is in terms of location, a village can have good access by road or ready 'access' by river, or 'good access' that might be there because of a popular cause or a civil society grouping or interest group that has good education or good access to the influential people in Dhaka. 'Access' might also be about the public perception of the need that is being portrayed e.g. leprosy in past centuries was regarded as a curse and later on, the discovery of HIV/Aids sufferers almost became regarded as the new lepers. It would be easy to produce a long list of needy but excluded people, inaccessible places and unpopular causes.

This article considers the importance of CSR strategy for social development from the perspectives of the government of Bangladesh, the Bangladesh corporate and banking sector and prospective beneficiaries of CSR activities whether as humanitarian assistance or economic aid or support for environmental improvement. It has been said that CSR is a policy of honesty, transparency and good governance. Companies that decide to be socially responsible could consider paying tax and value added tax (VAT) at full levels, choosing not to take advantage of 'tax holidays' and 'tax exemptions'. This would help to ensure the Treasury receives sufficient income in order for the Government of Bangladesh to be able to directly fund from its own resources projects that are currently paid for by CSR donation e.g. schools, clinics, disaster relief and environmental protection or rehabilitation.

The importance of CSR strategy for social development

It has been reported that Bangladesh has the lowest 'tax take' of any Least Developed Country (LDC). Social Responsibility includes paying tax for the good of the country and eventually for the improvement of the business environment! This being the case, strategic CSR could be a choice not just to fund projects and claim the 10% NBR tax exemption but also to pay full tax and VAT in order that the Government can afford to 'mainstream' these one-off projects into its revenue budget. The banking sector in Bangladesh is a leader in CSR donations and in CSR project support but the question that needs to be asked is: "Has this national emphasis on donations and sponsorship been a diversion from Social Responsibility" that is mainstreamed and integrated and sustainable?

The corporate and the banking sector in Bangladesh can also choose to be strategic about 'our' CSR by looking inside 'our' own premises. The 'annual performance evaluation' by the Bangladesh Bank of the commercial banks now includes their CSR activities. Recently the central bank has been encouraging banks and other financial institutions to consider 'inclusion' e.g. employment and promotion of women through to senior levels, recruiting and empowerment of people with disabilities including visual impairments, also the inclusion of people from Bangladesh minority ethnic and minority religious groups. The commitment to social responsibility of a bank or a company might also be tested by scrutinising the working and living conditions of the lowest paid, 'least evident' staff e.g. third and fourth class employees, sweepers, day labourers or contract staff, including their pay and conditions, their family health, their ability to buy sufficient food and to pay for their children's education. This will be CSR that delivers a direct benefit to the company or the bank because when an employer invests in his workers they will become healthier and be better motivated. This 'investing in workers' improves office and factory efficiency and so company productivity and profitability which enables socially responsible employers to increase wages. With enhanced wages, the least well paid, the 'marginalised' workers and their families are able to pay for education, health care and for their food and to cope with the increasing costs of living. There is a dignity in

'earning and paying' in place of needing 'charity and food rations'.

It is becoming recognised that the most effective CSR projects from the corporate sector are those that are directly linked to the core business of the organisation; this is a change of emphasis from funding peripheral CSR projects. Many international companies have an obligation placed on them by their corporate headquarters to carry out monitoring of equal opportunities e.g. of the proportion of women employed at each level of the company and of the number and position in the company of people with disabilities. Strategic CSR as social inclusion by a company or bank in Bangladesh would also involve a review of its employment practices throughout the company, paying special attention to the condition of the large numbers of its least well paid workers.

Society in Bangladesh might take a rather different view of strategic social development paid for as CSR. The 'S' in CSR refers to Society not just to 'social' and 'Society' includes the following sectors: private, public, education, health, and non-governmental organisations (NGOs) and police, military, courts and Government. Recipients of philanthropic gifts, whether it is a major gift for a building or a smaller but significant gift of food or clothing, might be torn between being grateful for an immediate need being met and being concerned about the absence of regular support. Engaging and learning from all stakeholders is vitally important to the development of strategic CSR; otherwise CSR can be an ad-hoc collection of projects and donations 'triggered by' the interests and desires of the owners or directors of a bank or company. CSR donors might also be concerned about the risk of building up dependency and the removing of individual initiative and the lost opportunity for the dignity of work that comes from making regular charitable donations to a project or a community.

The citizens of a country who are also the electors have a reasonable expectation that their Government will provide the social and healthcare and education services they need. Also that Society will provide employment paid at a sufficient level in order for their wages to meet the costs of living. In a least developed

country (LDC) or developing country (DC), the State and its 'service delivering agents' may need to have assistance from supportive friends and they may be corporate sector leaders or foreign governments and their donor agencies. However in order for social development to be rational, strategic and sustainable, it needs at some point to become the full responsibility of Government and its ministries and departments.

Strategic decisions about CSR are vital for social development. The corporate and banking sectors in Bangladesh have a significant role to play at present in terms of relieving poverty, overcoming disability and disadvantage, responding to natural disasters and reducing and preventing industrial water, land and air pollution and of helping beneficiaries move from 'aid recipients' to 'productive workers'. For the corporate sector to be fully socially responsible and socially inclusive, leaders need to address the social development of all of their officers, employees and workers by a company policy of social inclusion. This is not simply a policy of relieving poverty by donations but also of enabling people with disadvantages to make progress through to all levels and to success in all areas of a bank or company.

It has been said "if you can't measure it you won't be managing it" and this phrase is applicable to CSR activities. There are international benchmarks for social responsibility and sustainability and for CSR including AA1000, ISO26000, the Global Reporting Initiative and The Global Compact and recently a CSR Participation Ladder has been devised that is a Certifying Standard. When CSR is evaluated and benchmarked, it gives the funders the ability to become strategic and to deliver maximum impact for their investment. This leads to the identification of a business case for CSR where company benefits as well as community benefits are evident, namely a true 3BL (Triple Bottom Line).

Rodney Reed is Managing Director of Reed Consulting (BD) Ltd. He is now an elected Executive Committee Member of FICCI and Convenor of the FICCI CSR Sub Committee 2011-2013.

CSR In Vision and Reality

Corporates come forward

More interventions identified by MRDI have come into operations that aim to address poverty through mainstreaming CSR.

Corporate houses have extended funding support to implement women's livelihood and children's education programmes in outreach areas. Recently the companies have signed agreements with MRDI and the implementing organizations in this regard.

The initiatives are expected to directly benefit the marginalized women and children of the communities which enjoy minimum impact of mainstream development programmes. The women's training centre at Basatpur, a village near Benapole border in Jessore will improve living conditions of 10,000 people of the village. Renovation of three primary schools of the off shore areas will ensure education of around 1,000 underprivileged children every year.



Reliance Insurance Limited provided funding support for infrastructure development and payment of teachers' salary of two primary schools of Char Mujib Nagar, Char Fashion, Bhola. An agreement was signed in this regard on 13 November, 2011 at the office of Reliance Insurance. Akhtar Ahmed, Managing Director and CEO, Reliance Insurance Limited; Hasibur Rahman, Executive Director, MRDI; Mohammad Kawser, Head Master, Pashchim Char Monohor Non-government Primary School; Hossain Ahmed, Headmaster, Moddhya Char Monohor Non-government Primary School and other officials of Reliance and MRDI were present.

Status of work: Renovation of the schools is now in progress.



A women's centre is being established at Basatpur, a village near Benapole border in Jessore with the CSR funding of **City Bank Limited**. An agreement signing and cheque hand over programme was held on December 3, 2011 in presence of Bangladesh Bank Governor Dr. Atiur Rahman, Former Adviser to the Caretaker Government Rokia Afzal Rahman; Shitangshu Kumar Sur Chowdhury, Deputy Governor of Bangladesh Bank; K. Mahmood Sattar, Managing Director & CEO of City Bank Limited; Hasibur Rahman, Executive Director of MRDI; Angela Gomes, Executive Director of Banchte Shekha, Mobinul Islam Mobin, Editor of The Gramer Kagoj and officials of MRDI and City Bank.

Status of work: Training on tailoring of the first batch has already started in an alternate venue beside the centre.



Renovation of a school at a remote village of Char Kukri Mukri, Char Fashion, Bhola including construction of school building and developing other facilities is going on with the funding of **Mutual Trust Bank Limited**. An agreement was signed in this regard on 15 January, 2012 in presence of Rokia Afzal Rahman, former Adviser to the caretaker government and Adviser, MRDI's CSR team; Anis A Khan, Managing Director and CEO, Mutual Trust Bank Ltd; Hasibur Rahman, Executive Director, MRDI; Md. Abul Kashem, Headmaster, Sharifpara Temporary Registered Primary School and Md. Shahid Hossain, Adviser, Planning and Development of MRDI were present at the signing ceremony. The bank will also pay salary of the teachers for two years.

Status of work: Construction of the school building is in progress. Earth filling of the play ground has been completed.

Join the Fight Against Poverty

Dignitaries say...



Signing of these agreements is an important step towards building partnership between corporate and civil society organizations for optimum utilization of CSR funds in development.

Rokia Afzal Rahman
Former Adviser to the
Caretaker Government



The banking sector plays the most important role to make use of CSR funds connecting business and development. CSR expenditure incurred by this sector has demonstrated a sharp increase from Taka 22 crore in 2007 to 232 crore in 2010.

Dr. Atiur Rahman
Governor,
Bangladesh Bank



Banking sector has the lion's share in CSR activities. Incentives in the forms of tax rebate and recognition will encourage this sector further.

Shitangshu Kumar Sur Chowdhury
Deputy Governor,
Bangladesh Bank



Strong on CSR is not a barrier, rather it aims to facilitate and encourage the business community to come up with more CSR activities.

Syed Md. Aminul Karim
Member, National
Board of Revenue



CSR is a voluntary process which adds strength to a company's profile and deepens its social root.

Moazzem Hossain
Editor, The
Financial Express



Banks need to build network with the local organizations to identify the priorities and ensure best use of CSR money.

Mohammed Nurul Amin
Chairman
Association of
Bankers, Bangladesh
Limited



We are extremely delighted in partnering an initiative that will empower a group of poor women and protect them from risks of vulnerability and insecurity.

K. Mahmood Sattar
Managing Director
& CEO, City Bank
Limited



The corporate sector will be encouraged further to undertake CSR activities if policy support and incentives are given.

Akhtar Ahmed
Managing Director
and CEO,
Reliance Insurance
Limited



We hope our support to education of deprived children will encourage other organizations come forward to help further the educational requirements of the children of remote char areas.

Anis A. Khan
Managing Director and
CEO, Mutual Trust
Bank Ltd.

Nothing succeeds like success

Provision of safe water, low cost eco-friendly oven and skills training for livelihood development have generated enthusiasm among the women of the remote villages of the Sundarbans. Community people are also realizing benefit of the activities.

Positive impact of the intervention has created interest among other corporate houses to go for this kind of programmes in other areas. HSBC proposed to MRDI to fund a similar intervention in a neighboring village.

Several NGOs from remote areas have submitted local development proposals to MRDI for linking them with corporate houses. Citi Bank N.A., HSBC, IFIC Bank and NCC Bank also showed interest in partnering such initiatives.

Implementation in progress...



Training session on tailoring at a village in the Sundarbans



Construction of women's centre at Basatpur in progress



Construction of Sharifpara school building



Renovation of Moddho Char Monohor school house

Connecting corporate with community



"The training of MRDI introduced me to an array of sources of funds that suits our mission. It also involved receiving grants with less bureaucracy attached to it. Almost immediate after my training we knocked on Hongkong and Shanghai Banking Corporation (HSBC). Through their future first incentive, we were instantly granted approximately USD 50,000 to aid distressed children in need. MRDI has been very instrumental in facilitating the process and HSBC staff was very cooperative during the process."

Tanvir Mosharraf of Speed Trust, a participant of the orientation on linking NGOs with CSR organized by MRDI said this.

MRDI organized the programme involving CEOs and senior officials of NGOs working in community development with an aim to establish this important linkage for proper utilization of CSR funds in social development.

NGOs working in the development sector are used to seeking funds from donors for implementing projects. They are hardly aware of the CSR funds which can be a very useful alternative source of resources. On the other hand, corporate houses are not experienced in operating development activities. A good linkage between these two sectors can facilitate better use of CSR funds for poverty reduction and overall social development.

Augmenting Bankers' CSR understanding

The rising trend of CSR expenditure of banks in recent years is a good sign for the overall CSR scenario of the country. Keeping up this trend is definitely important. Utilizing these funds properly in a structured way is also vital for effectively contributing to social development and poverty alleviation.

Many of the scheduled banks of the country opened separate CSR desk and assigned one officer to look after the CSR affairs as asked by Bangladesh Bank. But most of these banks faced problem in finding an

officer with sufficient conceptual understanding on CSR. While discussing the issue it was strongly felt that the officers in-charge of CSR desk need to be oriented on concept and utilization of CSR funds.

With this feeling MRDI and Association of Bankers, Bangladesh Limited (ABBL) jointly organized a training programme with the technical support of Bangladesh Bank to orient the officers in-charge of CSR desk in the banks on how CSR money can be utilized as a sustainable source of development fund.



What the participants feel...

Integrating corporate sustainability (CS) into augmented business strategy can increase brand visibility.

Ummay Sumaiya Mutiatur Rasul

Future Leader, Marketing and Communications, HSBC

Focused way of carrying out interventions with involvement of the community is essential for sustainability of CSR programme.

Mohammad Abdur Rahim

Manager-Media Relations, BRAC Bank Ltd.

Joint CSR planning by banks and financial institutions can bring about positive and comprehensive change in the process of development.

Md. Habibur Rahaman

Principal Officer, CSR Desk, Al-Arafah Islami Bank Ltd.

The discussions greatly helped in understanding the CSR concept how it is viewed in Bangladesh.

Farahjebeen Binte Rahman

Officer, Corporate Affairs, Citi Bank N.A.

Policy support to CSR Interactions go on



Discussants at a policy dialogue in Chittagong opined that a closer linkage between National Board of Revenue (NBR) and the trade bodies would facilitate better functioning of CSR initiatives. MRDI organized the dialogue in partnership with Chittagong Chamber of Commerce & Industry (CCCI). Rokia Afzal Rahman; Former Adviser to the Caretaker Government; Syed Md. Aminul Karim, Member, NBR; Moazzem Hossain, Editor, Financial Express; Mahbubul Alam, Senior Vice President, CCCI; Hasibur Rahman, Executive Director, MRDI and business leaders of the port city took part in the interactive discussions.

MRDI organized a policy meeting with Bangladesh Bank and NBR in Dhaka to discuss how more policy incentives can be given to encourage CSR. Deputy Governor of Bangladesh Bank Shitangshu Kumar Sur Chowdhury and Member of NBR Syed Md. Aminul Karim led the two teams respectively. The discussants came to a consensus that the statutory regulatory order (SRO) on CSR needs some modifications to make it friendlier to the banking sector. MRDI was requested to prepare a set of recommendations in consultation with business community and other stakeholders to bring necessary modifications in the SRO.





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CSR and Social Development

Muhammad Abdul Mazid

Corporate Social Responsibility (CSR) is often considered to be synonymous with corporate conscience or responsible business, being aimed at promoting philanthropy for social development. It is a form of corporate self-regulation integrated into a social business model. CSR reflects the responsibility of an organisation for the impacts of its decisions and activities on society, the environment and its own prosperity, known as the "triple bottom line" of people, planet, and profit.

CSR was earlier treated at par with philanthropy which was deemed to be its driver. That notion has been supplanted by a broad commitment to protecting and improving the lives of workers and the communities in which companies do business. It is a common perception among the people to look at CSR-related activities as a form of charity, philanthropy, or an allocation of resources for social development that could better be donated by shareowners themselves.

Participation in the social development : The historical perspectives

Emphasis on social, environmental and economic sustainability has now become a key focus of CSR efforts. Socially responsible investors have become key catalysts for motivating companies to develop a CSR agenda. In the past couple of decades, this has especially been the case in our part of the world, which was under colonial administration for several hundred years. In British India, the colonial authorities could not consider it obligatory for providing adequate social services to the native general public, their welfare were compartmentalized to a limited locality, few sections of the society and only in the selected sectors. In that context, the social development goals were marginally met up by local moneyed men through voluntary contributions. Subsequent governments in both pre and post 1971 period remained indifferent to the role of CSR. Later on, CSR has drawn the attention of the authorities concerned to encourage businesses to undertake activities in support of sustainable development, with a hope to use it as one of the ways for promoting social uplift. It is encouraging that in the recent years, mainstream financial institutions and the even the regulators, like Bangladesh Bank, have also come to value CSR. A recent survey of CSR investment by banking institutions found that 53% of predicted socially responsible investment indicators will become commonplace in mainstream investing within 10 years.

However, one weakness of CSR and sustainability reports, however, is lack of common measures of performance which can lead to hyperbole and green washing. Despite progress made by many companies, reporting about CSR are still in its early stages at most corporations. Far from discouraging, the state policy should encourage CSR activities by making provisions for incentives like tax exemption or rebate etc. CSR is important for businesses to maintain their long-term sustainability. Strong communities support strong organisations; the reverse is also true.

There can be no denying of the importance for an entity or person to take social responsibility for its or his/her actions must be fully accountable. Social accounting, as a sequel to Social Business -- a concept describing the communication of social, ethical and environmental effects of any economic actions to particular interest groups within society and to society at large -- is thus an important element of CSR. Social accounting emphasizes the notion of corporate accountability.

Few potential areas of social development that can be relevant to CSR

Human Resource Development: CSR programme can be an aid to recruitment and retention of personnel particularly within the competitive graduate student market. Establishing vocational institutes like nursing training centres may create a congenial environment for the economic emancipation of a manpower surplus society like that of Bangladesh.

Risk management: Managing procedural, natural or environmental risks has been a crucial concern of the society. Reputations that take decades to build up can be ruined in hours through incidents such as corruption scandals or environmental accidents. These can also draw unwanted attention from regulators, courts, governments and media. Through building of awareness campaigns, a genuine culture of 'doing the right thing at the right moment' and 'continuation of the developmental activities despite the change of policy makers' within a society can be fostered and promoted to help prevent, control or even offset such risks.

Helping the Disabled: In recent years, CSR is noticeable in most social welfare activities to promoting well-being of able bodied people. But it does not take into account the socio-economic needs of the disabled people who are also a part of the

society in which a company exists. Such impaired people account for, to at least, 10% of the country's population. There should be non-discrimination or diversity management awareness-raising. The disability factor should be included in employment/human resource (HR) indicators so that the socio-economic situation of persons having disabilities can be compared with that of the able bodied people.

Criticisms and concerns

Critics of CSR as well as its proponents debate a number of concerns related to it. These include CSR's relationship to the fundamental purpose and nature of business and questionable motives for engaging in CSR, including concerns about publicity or public relations (to benefit the companies in terms of boosting their sales and earning more profits), insincerity and hypocrisy. Regulations and restrictions which are in force to enable the companies to avail themselves of CSR-related fiscal incentives may also be considered as discouraging if these are not framed or enforced from the standpoint of encouraging them.

Sense of obligation

A particular school of thought has argued that a corporation's purpose is to maximize returns to its shareholders; only people can have social responsibilities; corporations are only responsible to their shareholders and not to society as a whole. Although they accept that corporations should obey the laws of the countries within which they work, they assert that corporations have no other obligation to the society. Critics of this argument perceive the free market as opposed to the well-being of society and a hindrance to human freedom. They claim that the type of capitalism practised in many developing countries is a form of economic and cultural imperialism, noting that these countries usually have fewer labour protections, and thus their citizens are at a higher risk of exploitation by multinational corporations.

Motives and mindsets

Some critics believe that CSR programmes undertaken by tobacco-manufacturing businesses, mobile phone service-providing companies (well known for their high-profile advertising campaigns), and booming real estate sector are aimed at distracting the public from socio-economic and ethical questions, posed by their core operations. They argue that some corporations start CSR programmes for the commercial benefit they enjoy through raising their reputation with the public or with government. Corporations which exist solely to maximize profits are unable to advance the interests of society as a whole. In this context, critics, being concerned with corporate hypocrisy and insincerity, generally suggest that better governmental and international regulation and enforcement, rather than voluntary measures, would be necessary to ensure that companies behave in a socially responsible manner. For commonly overlooked motives and mindsets of the regulators, CSR can also be driven at times by personal values, in addition to being influenced by factors relating to more obvious financial considerations and also, to be in the good book of the authorities concerned.

Crucial consumerism

The rise in popularity of consumerism over the last two decades can be linked to the rise of CSR in Bangladesh. As national population and economic activities increase, so does the pressure on limited natural resources required to meet the rising consumer demand. Industrialization, however, is booming as a result of both technology and globalization. At the same time, increasingly corporations are motivated to become more socially responsible because their most important stakeholders expect them to understand and address the social and community issues that are relevant to them. Non-governmental organisations (NGOs) have a better role to play in creating awareness and fixing priorities.

Social development awareness:

Role of dialogue and education

The role among corporate stakeholders is to work collectively to exert pressure on corporate bodies. That role is also changing. Non-governmental organisations (NGOs) are also taking an increasing role, leveraging the power of the media and the internet to increase their scrutiny and collective activism around corporate behaviour. Through education and dialogue, the development of community awareness in holding businesses responsible for their actions is growing.

Ethics training

The rise of ethics training inside corporations -- some of it required by government regulation -- is another driver credited with changing the behaviour and culture of corporations. The aim of such training is to help employees make ethical decisions when the answers are unclear.

Laws and regulation

Another driver of CSR is the role of independent mediators, particularly that of the government, in ensuring that corporations are prevented from harming the broader social good, including people and the environment. The issues surrounding government regulation may also pose problems. Regulation in itself is unable to cover every aspect in details of a corporation's operations. This leads to burdensome legal processes, bogged down in interpretations of the law and some debatable grey areas. Again it is also true that organisations pay taxes to government to ensure that society should get benefit out of the related transferred payment.

*Dr. Muhammad Abdul Mazid, formerly Secretary to the Government of Bangladesh and Chairman, National Board of Revenue, presently Chief Coordinator, Diabetic Association of Bangladesh.
mazid1273@hotmail.com*



S.K. Sur Chowdhury

Deputy Governor of Bangladesh Bank

Executive Director of Bangladesh Bank Shitangshu Kumar Sur Chowdhury, who is also the adviser of MRDI's CSR team at the nomination of the Governor, joined Bangladesh Bank as Deputy Governor on 23 January 2012. Mr. Chowdhury has over 30 years of extensive and versatile central banking experience in managing critical supervisory issues of the country.

Like previous six 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 September 2011 to February 2012. 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



Rehabilitation



Education



Blanket distribution



Infrastructure development



Better living



Environment



Livelihood support



Facilitating marginalized/Vulnerable group



Social awareness building



TEAM

Project Adviser

Rokia Afzal Rahman
Former Adviser to the Caretaker Government
Shitangshu Kumar Sur Chowdhury
Deputy Governor, Bangladesh Bank
Syed Md. Aminul Karim
Member, National Board of Revenue

Project Anchor

Moazzem Hossain
Editor, The Financial Express

Team Leader

Inam Ahmed
Deputy Editor, The Daily Star

Programme Coordinator

Hasibur Rahman
Executive Director, MRDI

Programme Manager

Md. Shahid Hossain
Adviser, Planning and Development, MRDI

Programme Officer

Aktarun Naher
AHM Reaz Mahamud

Accounts Manager

Sk. Shaniaz Ahmed

Support Staff

Minhaz Shaikh