CSR for Sustainable Development

Dr. Atiur Rahman, Governor, Bangladesh Bank

Awareness of social and environmental concerns among broad masses of population is intensifying rapidly with sustained campaigns of civil society lobbies in both developed and developing countries, rendering CSR performance increasingly important for business success in attracting new customer bases and even in holding on to the existing ones. Banks of our country are being called upon to take responsibility for the ways their operations impact societies and the natural environment. Gone are the days when banks could do business for the sole purpose of making profit. If they do not take the environment into account in doing business, or if the community where they are situated or does business, feels ill-treated or that their needs are not being addressed, banks will not survive and their future sustainability cannot be assured or guaranteed. It is no longer acceptable for a bank to experience economic prosperity in isolation from those agents impacted by its actions. A bank must now focus its attention on both increasing its bottom line and being a good corporate citizen.

Banks are being asked to apply sustainability principles to the ways in which they conduct their business. Sustainability refers to a bank’s activities, typically considered voluntary, that demonstrate the inclusion of social and environmental concerns in business operations and in interactions with stakeholders. Sustainable business meets the need of present generation without compromising the ability of future generation to meet their own needs. Empirical evidence suggests that the growth process is sustainable when it is inclusive, that is, the fruits of the economic and social growth are enjoyed by all population segments of a society and they have equal opportunities to participate in the growth process. By inclusiveness, we understand a growth strategy that embraces all population of Bangladesh rather than big chunk of money in the hands of a number of elites which is the case in many developed economies, even in some of the emerging economies of other regions.

Bangladesh Bank (BB), as the central bank of the country, has been promoting financial inclusion by undertaking a number of initiatives to bring the un-served and under-served within the umbrella of financial system, campaigning on financial inclusion that promotes inclusive growth and offers financial services at the doorstep of all people of the country and modernizing payment system to make it more inclusive. Apart from its core responsibility of formulating and implementing monetary policy to achieve price stability, BB is playing a developmental role as well which is necessary and within its goal and objective of promoting inclusive economic growth. Responding to their social obligations, banks in Bangladesh are enthusiastically participating in the financial inclusion campaign.

Reported direct expenditure of banks on CSR initiatives have grown manifold over the years since its inception. All banks have enthusiastically taken up multi-faceted initiatives widening and deepening CSR and direct CSR expenditure of the banks in 2011 was taken to be 2188.33 million.

Teaching Ethics in Business Can Promote a Better Society

Institutions imparting higher education must try to reform their system by introducing Corporate Social Responsibility (CSR) in their academic curricula to convince students that ethical issues are an important part of their future career in business and corporate world. CSR courses will surely provide students in business studies with a clear perspective of what ethics means in business practices, says Professor A A M S Arefin Siddique, Vice-Chancellor of the University of Dhaka.

Talking to the CSR Review, Dr. Siddique said CSR is a topic that is drawing an increasing interest of the people in the business world. It is now attracting their attention more than before, he added while suggesting that corporate funds can also be efficiently used in education and research.

Syed Ishtiaque Reza, Director, News, Ekantor Television prepared this report based on an interview of Professor A A M S Arefin Siddique, Vice-Chancellor, University of Dhaka.
Moving forward CSR meaningfully

Corporate Social Responsibility (CSR) is a voluntary process of activities by businesses. It essentially reflects one of their core values and commitments to social, environmental and community objectives. As such, CSR is now widely recognised and appreciated as a positive tool to help promote sustainable development of businesses. In both developed and developing countries, the businesses are, therefore, now found to be pro-active about embracing CSR in their operational activities. The extent and nature of CSR activities vary in forms and dimensions among countries, depending on the stage of development of their economies. But the pursuit of CSR has continued to gain currency more than ever before, notwithstanding difficulties and adversities of the times.

There are new conceptual variants of CSR in the present day times. New phrases like ethical, socially responsible, behaviour, sustainability, triple bottom-line, social innovation, benefit corporations, social business etc., have been put into practice. Their ultimate goal does not make any substantial difference to the basic principles of CSR. All these phrases have helped to abstract to common use over the past decade. These are conceptual innovations and social ones, too. This innovation involves the practice of using new ideas and strategies to address social challenges. It is only limited by the constraints of human ideas. And there is no denying that new social innovations that are meant to improve people’s well-being, strengthen society and improve the use of resources, involving particularly the businesses, are sure to follow. These have not digressed -- and certainly will not digress -- from the core conceptual and contextual issues of CSR that focus on the responsibilities that companies, corporations or businesses have to the societies in which they are based and do operate. Rather, they have continued to reinforce the basics of CSR that are related to efforts for addressing various issues of different stakeholder groups and, thus, for forging positive relationship between the business and the society.

The CSR, of course, involves the role of a business entity or a company in doing good to society. No one can really argue with helping society. But CSR must not be considered from “do-gooding” angle alone. That does not help the cause much, though many company bosses and investors still think that CSR is just about society with no benefit to their firms’ bottom line. There is a strong need, more so in today’s context at home and abroad, to change this perception as much as that one that tends to suggest that CSR is solely about the environment or doing charity work. There is no denying here that ‘misconceptions’ about CSR and its operational connotation and denotation do still remain at various levels, encompassing business operators, policy-makers and stakeholders in Bangladesh, possibly on a larger scale and extent than the cases with many other developing economies. This has been so, notwithstanding the fact that there is a better appreciation now than before about the role of CSR in promoting community-level development in the country. The clarity on CSR-related activities, in their both conceptual and contextual aspects, is critically important for harnessing effectively the potential of CSR.

For the purpose of clarity, it should be noted that the CSR is not just about aiding society; it is more about long-term sustainability of a business enterprise or company and has also direct impact on its triple bottom line -- financial, environmental and social. This ‘triple-line approach’ to business -- combining environmental and social considerations with economic ones -- calls for formulating a well-focused CSR strategy though as part of a voluntary process, to meet the needs, priorities and expectations of all concerned stakeholder groups and the community in which a company operates. A shared value approach that binds the interests of companies, both large and small ones and of the community they serve, needs to be incorporated as one key element of such CSR strategies that will ultimately prove themselves effective to help firms reduce risks, improve productivity and enhance branding, from medium to long-term perspectives. CSR is also not certainly a charity work; it has an impact on a company’s performance and bottom-line. Furthermore, it is also important to note here, for the sake of clarity, that CSR is not synonymous with compliance with corporate governance issues or adherence to the standard rules of the game with regard to the statutory requirements for running a business in accordance with the laws of the land. In this context, non-compliant companies or businesses, however, are not otherwise expected to engage themselves in CSR activities that are not meant for earning profits.

CSR is purported to promoting active community engagement as one of the essential tools for building stronger communities. Companies, especially those which export their products to the global markets, particularly the developed economies, have come under more pressure in recent years for demonstrating ethical and responsible behaviour in the whole process of their supply value chain. This is because of their compulsions to win over customers, especially in an era when word of corporate malfeasance can spread like a flu pandemic; increasingly savvy consumers in the global market-place tend to switch their purchases of products by companies or suppliers that do not reflect their preferred values. Thus, the circumstances of to-day’s world have been compelling the companies to appreciate the need for embracing CSR. By this, they can indicate clearly and positively that they care for “a moral conscience on social issues” and also for the needs of future generations as far as the issues about environment, sustainability and related ones are concerned. CSR is, therefore, important to a company’s long-term survival. Business with sound CSR principles are more likely to sustain well their operations in the future.

That being the case, the governments everywhere do need to take a pro-active policy stance on encouraging and supporting the businesses to pursue CSR activities in line with the CSR strategy. In this context, the public policy support, in areas of fiscal and other relevant matters, merits a priority attention particularly in countries like Bangladesh. And the related policies have to be flexible enough, being responsive to the actual needs in order to incite, motivate and encourage businesses in the domain of CSR. And there is yet another area where initiatives will be considered important in the context of the situation in Bangladesh, for enabling the companies to undertake well-communcated and considered CSR-related initiatives as being parts of both social responsibility and sound businesses. It relates to training up future business leaders, entrepreneurs, executives and all other relevant personnel to use their knowledge, skill, ability and new brainpower to develop, manage and execute innovative actions for improving the bottom-line of businesses. Through such actions, long-term survival and sustainability of businesses can be ensured and stronger communities can be built.

For that matter, the business faculties in the country’s higher seats of learning can play an effective role by way of creating and expanding facilities particularly in the academic domain, for their students to understand and appreciate properly the importance of CSR and responsible leadership. This understanding is fundamental to business success, going beyond add-on or only profit-seeking motive, in the short run at the cost of long-term sustainability. That can make a genuine and lasting difference to help broaden the vision and horizon of business students and future entrepreneurs and business executives to realise that as part of their professional development and related future responsibilities, they can do real good for the society.

Editorial
CSR for Sustainable Development

Moreover, as education sector has received considerable attention of BB in light with the vision for an enlightened Bangladesh, recently banks have been requested to maintain a budget/fix a target of at least 30% out of their total yearly CSR expenditure for scholarships to poor but meritorious students, stipend for physically challenged students, lump grant etc.

Besides traditional direct funding of charitable humanitarian activities, they are engaging increasingly in innovative financing schemes for farm and non-farm productive self-employment activities of the poor, extending branch and ATM networks into rural areas, and the state-owned banks with extensive branch networks have embarked on opening of bank accounts with nominal deposits as low as Taka 10 for landless/small farmers and other poor people, wherein the account holders can receive government input subsidies and social safety net benefits. About 10 million of such accounts have already been opened and many more are in the pipeline. Recently banks have started opening similar new accounts with nominal Taka 10 deposits for the extreme poor, to enable their hassle-free direct receipt of government social security payments. Almost three million of these accounts are already in operation.

Banks have also started introducing cost-effective mobile phone/smart card/ based remote delivery of financial services. To facilitate the new modes of swift and secure remote delivery of financial services, BB has already installed and commissioned a modern payments system infrastructure with fully automated clearing and settlement of inter-bank fund transfers, both paper-based and electronic. The regulatory support to bank led mobile banking services is yet another bold step in reaching the unbanked with innovative financial services.

CSR may be a lot more business-friendly than business ethics. People often tend to use CSR when they are talking about the good things companies are doing. CSR initiatives of banks are steadily gaining in comprehensiveness and depth, by means of newer dimensions like the ecological impact assessment in project financing decisions, and gender issues in workforce composition and internal working environment. For ensuring environment friendly sustainable development, BB already formulated and issued “Environmental Risk Management Guidelines” and “Policy Guidelines for Green Banking” for the banks and financial institutions.

Besides these, BB introduced a Refinance Scheme for Solar Energy, Bio-gas, and Effluent Treatment Plant (ETP). And the area of this refinance scheme has been extended for establishment of Hybrid Hoffman Kiln (H-K) equivalent technology plant in brick manufacturing industry with a view to reducing carbon emission. Banks in their own have also developed a variety of strategies for dealing with this intersection of societal needs, the natural environment, and corresponding business imperatives. They are considered on a developmental continuum with respect to how deeply and how well they are integrating social responsibility approaches into both strategy and daily operations. Some banks have specially designed projects for the vulnerable areas affected by climate change. One of the banks has financed the first Compost Plant under CDM, and another bank, in collaboration with IFC, has developed a creative financial product for generating electricity from poultry litter, which will help prevent environment pollution.

To understand and enhance current efforts, the most socially responsible banks continue to revise their short- and long-term agendas, to stay ahead of rapidly changing challenges.

The quality of relationships that a bank has with its employees and other key stakeholders such as customers, investors, suppliers and government and communities, is crucial to its success, as is its ability to respond to competitive conditions and CSR. These major transformations require all banks to approach their business in terms of sustainable development.

Bangladesh Bank has been publishing CSR Report annually, based on both quantitative and qualitative information provided by the banks. This reporting has been providing added incentive to the banks to remain competitive in CSR arena. Also CAMELS rating of banks draws heavily from their performance in the field of CSR. This too is an added incentive for the banks to do more in CSR activities. In a way Bangladesh Bank has been guiding and facilitating banks to get themselves engaged in CSR-related activities more intensively in the recent days.

Teaching Ethics in Business Can Promote a Better Society

“Corporate houses in Bangladesh are coming forward to develop the society in a bigger way these days, leading us to consider pro-actively about its academic importance,” the DU VC said.

Universities, the Vice-Chancellor said, are to take a leadership role within societies. The universities, he observed, can adopt CSR as an important prop for gaining their competitive strengths and advantages. There are scopes for the universities to promote CSR, reflecting its true interests and purposes throughout their organisational system. Through incorporating CSR in the curriculum of its business faculty, Dhaka University can help develop a vibrant CSR culture that will largely contribute to building a strong human resource base for the businesses.

“We are seriously considering to take steps for opening a new department,” he said while expressing the hope that the businesses themselves would extend their cooperation to the university so that it can engage itself in positive social actions. The stakeholders of a CSR department of the university will include students and corporate houses, among many others, he said.

The students on completion of studies in CSR-related course will be better equipped, in their professional career, to deal with activities that are relevant to CSR in creative and purposeful ways”, noted Prof. Arfin Siddique. “They will be interested not just in the business reputation of their company or organisation, but also in the character of the institution,” he added.

The businesses that provide financial and strategic support to the university will benefit from ready supplies of skilled human resources for them. Dr. Siddique said. In this context, he proposed further tax incentives for the businesses which are contributing to education and research.

Universities can meet the expectations of stakeholders by adopting well-conceived CSR curricula, befitting the needs of the organisations. Now-a-days students think of building their career in the corporate world for higher compensation packages and better work environment and if CSR is incorporated in the academic courses, it will provide them the opportunity to experience a lifestyle that will suit them in a real and purposeful way”, he observed.

Prof. Siddique said it is a competitive market, driving home the need for making coordinated efforts to create an ongoing stream of a set of satisfied alumni, attract new students and address the concerns of business. CSR is a critically important subject that can make a real difference to the outcome of such efforts, along that line, the Dhaka University Vice-Chancellor observed.
CSR strategies for SMEs
Challenges and opportunities

Syed Farhat Anwar
A large number of definitions has been outlined for Corporate Social Responsibility (CSR). However, before looking at the definition or the strategic positioning of CSR, let us visit the etymological definition of the term ‘company.’ Like many contemporary English words, the word company has Latin roots. It is derived from two Latin words, eum and panis, which as Arnott put it, means ‘breaking bread together’.

Therefore, the original idea of a company has communal or social connotation. The etymology of the term ‘company’ is relevant here because, as the words ‘corporate,’ ‘social,’ and ‘responsibility’ rightly suggest, CSR covers the responsibilities that companies or corporations have to the societies within which they are based and do operate. From a practical perspective, CSR helps its stakeholders to incorporate their needs and values within the strategic decision-making process. So, how can we define or conceptualize CSR?

In the most simplistic form, CSR are the responsibilities of companies for the totality of their impact on people (comprising of its employees, customers, business partners, investors, suppliers and vendors, the government, and the community); in addition, the planet must be taken care by undertaking initiatives that have positive impact and avoid any negative impact on the planet. Last but not the least, the organisation must make adequate profit for sustainable growth. This is the ‘triple bottom line’. Under intense competition, the use of this triple bottom line concept is likely to bring the organisation closer to the stake-holders resulting in greater value for the stake-holders and thus higher brand equity.

Because of the structure of Small and Medium Enterprises (SMEs) in Bangladesh, which are mainly labour-intensive and of low-skill, the development of SMEs is considered to be the most effective contribution to the eradication of poverty. However, despite their broad dissemination, SMEs in Bangladesh are unable to fulfill the critical role of entrepreneurship development and thereby contribute to the faster industrialisation of the country. This results in creation of subsidy for the SMEs by the government and the development organizations, making it unproductive. Thus, under intense competition, price cuts become the primary strategy focusing on price wars and finally poor performance of SMEs in terms of growth, product diversity, and expansion of markets. The question is: Can SMEs ever use business models?

In answering the question, first, let us look at the market of SMEs. In most cases, the market comprises of the Bottom of the Pyramid (BOP) while offerings of luxury brands at the Top of the Pyramid (TOP) are also prevalent. It is thus evident that since SME definition does not preclude profits, SMEs are able to operate both at BOP as well as TOP. This further proves that SMEs are capable of being feasible businesses provided proper measures are taken and thus they may not require subsistence to operate their business. The next question is: Can SMEs use CSR?

People associate CSR with large companies, but the economic importance of SMEs has led to a growing emphasis on their social and environmental impact. Recent studies have shown that SMEs do perform CSR activities for sustenance and growth, perhaps, in not exactly the same way as the larger companies. In addition, since SMEs can operate in various positions of the pyramid like the larger companies, the CSR strategies are likely to vary. However one exclusive feature is observed in case of SMEs; CSR is not primarily seen in terms of charitable donations, but is strongly related to stakeholder issues. This is a natural consequence of the size of operations where charity is not an expected norm due to size. This suggests that SMEs could be perfect case for proving that CSR indeed is a plausible and natural strategic option. If CSR is possible, what could be some specific strategic options?

The following could be some strategic options for SMEs which will positively influence their competitiveness. They are elaborated under the triple bottom line options.

PEOPLE
1. Since the number of employees is few and productivity is a major concern, all employees could be provided an option to be shareholders or share a certain profit margin. Higher motivation and loyalt of employees are likely to result in a higher creativity and innovativeness.

2. Customers are the creators of revenue; thus, the focus can be given at the BOP to increase the purchasing power of the customers, through involving them in the value-chain of the business. This will aid in poverty alleviation but also strengthening of the organization.

3. The competition can be reduced at the SME level by creation of clusters. These clusters can be developed through sharing of marketing and operations. In some cases, even common branding can be undertaken. In other cases, category specialisations may be created.

4. The value-chain partners can be trained to perform better and at the same time, distribution centers can be put under a single banner of a cluster. This can help develop retail brands that are linked to one or more clusters.

5. SMEs must place themselves under the tax net. This will not only help increase government revenue but will also strengthen the rights of the SMEs to acquire services from the government which at present are considered a liability. This is likely to enhance the business model and imbibe professionalism.

PLANET
1. The use of proper environment-friendly strategy such as negating use of polythene packages will help develop small businesses to develop environmental friendly packaging and build awareness at both BOP and TOP, at the same time protecting the environment.
2. Improved business processes may be undertaken resulting in a better customer satisfaction and loyalty. This can be done, let us say for an example, by increasing insulation of heat generating portions of a factory which will better the environment and improve the manufacturing process.

3. SMEs, being small in nature and having lesser number of personnel, can easily get involved in activities to improve the quality or safety of products. This will enhance their image by focusing on a specialized segment.

4. SMEs may use specialized media, below the line (BTL) strategy, through focusing on ethical advertising. This can be undertaken to showcase the importance of communication in building societies. It should be noted that since SMEs have low cost budgets, BTL with focused attention is likely to be more effective as well.

5. Remaining in clusters results in greater opportunity for interaction and also better options for communication. Thus SMEs can effectively take strategies for informing business partners, customers or the society on planet protection issues.

PROFIT
1. The SMEs can initiate quality and selling competition amongst the outlets to showcase their products better and increase the profitability of the outlets. This will result in better publicity due to the award of prizes and enhanced word-of-the-mouth resulting in higher profits.

2. Since the SMEs are localized, it is easier for them to develop paying the suppliers or business partners on a regular basis. Due to low quantity purchase, it should be easier to undertake this strategy. Prompt payments may motivate suppliers to charge lower prices and thus greater profits for the SMEs.

3. SMEs are likely to maintain good value-chain networks; this may help in reducing transaction costs and market risks while ensuring financial and other tangible and intangible resources if required. Through these networks, firms may get access to various types of critically important resources, ultimately having a positive impact on profits.

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Partnership to Support Deprived Children

To support around 200 vulnerable children, a project titled Education and Support for Slum and Pavement Children has been taken up in the southern district of Barisal. The Hongkong and Shanghai Banking Corporation (HSBC) provided financial assistance of USD 50,000 from their Global Education Program, “Future First” to Society for People’s Education, Empowerment and Development Trust (SpeedTrust) for implementing this project.

The initiative offers Non Formal Education (NFE) on literacy, general knowledge and performing art to out of school and school drop out children. It further provides life skills training networking and legal aid services to adolescents to give it a sustaining effect. The programme also encompasses rehabilitation and reintegration of children which includes - returning displaced children to their families, job placement etc.

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The author is a Professor of Institute of Business Administration, University of Dhaka. The article is based on various research articles and reports from across the globe. Thus this is a compilation of experiences.
CSR: Taking the dream forward

Implementation glimpses

Remarkable progress of works has been visible in last three months in implementation of the interventions under CSR support.

- Construction and renovation works of school buildings in the off shore areas of Bhola are almost complete – only some finishing touch is to be given. These new school houses are expected to be inaugurated in the month of July.
- Construction of the women’s centre at Basatpur, Jassore is near completion. The centre will be inaugurated in presence of the Governor of Bangladesh Bank and other dignitaries.
- Training of women is going on in Basatpur and the villages of the Sundarbans in full swing.

The door opens...

Gacon Swapan – Dreams of the village – a brand outlet for marketing handicraft products started its journey on the eve of the Bangla New Year on 13 April 2012. The brand – carrying the dreams of numerous marginalized women – was launched at the Bishnupur Mela 1419 with the joint CSR initiative of Bank Altiabd Ltd, Mitas Financing Ltd, City Bank Ltd, Nazruler Jomo Foundation (NJP), Green World Communication and NFHD.

Women from Roni Laubob and Kishirdas villages of the Sundarbans, trained under NFHD’s CSR initiative, produced some handicraft items that were showcased at the Mela. Internet service provider Quube came forward to promote livelihood option of these vulnerable women through purchasing most of the products in the very first lot, which they used as gift item for their clients. Administrating the Initiative Chief Executive Officer of Quube Jerry Mobbs said, we are proud to support an empowered group of women from a small village in the Sundarbans who have found an innovative way of making a living using locally sourced material to create goods that we can now purchase and use as gifts for the Bangla New year.

In the spirit of poehela boishakhi we look forward to supporting such communities in future and do our part in playing a small role in empowering more and more women from underprivileged communities to come forward with their ideas, he added.

Extending thanks to partners and guests NFHD’s Executive Director Hossain Rahman said, this branding is a new landmark in our campaign of crafting change through corporate social responsibility (CSR) by helping disadvantaged rural women develop marketable skills.

Representatives of corporate partners were also present among others.

SRO needs to be simplified and elaborated

Like previous years, NFHD prepared a set of recommendations to bring about some modifications in the Statutory Regulatory Order (SRO) on CSR tax break this year at the request of National Board of Revenue (NBR).

This time Presidents of four chamber bodies, Presidents and CEO of three business bodies, CEOs of three banks and senior officials of one bank, CEOs and senior officials of two local and two multinational companies, CEOs of three development organizations, high profile experts, academics and journalists were interviewed using a semi-structured questionnaire.

A draft report was prepared compiling the feedback of the respondents and placed in a sharing meeting before the representatives of Bangladesh Bank, chamber bodies and corporate houses. The final set of recommendations incorporating views of the participants of the meeting was submitted to the NBR.

The compiled document recommended to add some new areas of CSR activity for which tax rebate should be allowed. It focused on the conditions and procedure for receiving tax rebate to encourage the companies to avail this opportunity.

Major recommendations included

- Provision of 100% tax waiver on CSR expenditure particularly for some special cases
- Simplifying the procedures of claiming tax rebate
- Provision of setting aside a big amount of CSR money for showing in tax return for several consecutive years
- Inclusion of activities related to MDG attainment in CSR list
- Remove the limit of CSR expenditure for tax rebate
- Repeat the provision of prior approval of CSR expenditure
- Replacing the word “asamudra (donation)” by “pradohto artha (money spent)” to distinguish CSR from simple donation.

Skill is more valuable than money

“ I want to receive skills training. I don’t need any wage compensation or conveyance money for that. I know if I attain skills, it will give me a livelihood, bring money for me and my family.”

Sheema Khatun, a women of Basatpur said this while expressing her interest in getting orientated for the skills training on tailoring and stitching. The on-going training at Basatpur has inspired many other women of the village like Sheema to join the group of trainees and empower themselves.

Functioning of the women’s centre has created much enthusiasm among the members of the family (associates) and also among those who have not become members yet.
Tax rebate for CSR

Why and where?

Doulot Akter Mala

"Why should I pay tax at the rate of 37.5 per cent on the amount of money which my company invested in special development interventions in the nature of corporate social responsibility (CSR)?", asked a renowned businessman and also a leader of the apex chamber body of the country. He is strongly critical of the existing fiscal measure through which tax rebate at only 10 per cent is given for undertaking CSR activities.

On the other side, a banker said his company does not expect any tax benefit from the government for performing its social responsibility.

The relevance of the existing tax rebate facilities to the CSR activities was discussed by this correspondent with different stakeholders including economists, bankers, businessmen, chamber leaders and academicians after the announcement of the proposed national budgets for fiscal 2012-13.

The Management and Resource Development Initiative (MRDI) earlier initiated a move to review the provisions of the existing SRO relating to CSR, in its efforts to sensitize the policymakers about the need for amending the rules in the proposed budget for fiscal 2012-13, in line with the opinions that were expressed by various stakeholder groups.

Stakeholders had expressed different views about both definition of CSR and relevance of tax rebate to related activities.

The existing SRO on CSR identifies 20 sectors where supportive ‘social interventions’ are allowed to enjoy the tax rebate. It also tags five conditions on availing the 10 per cent tax rebate facility by the corporate bodies. The conditions include prior approval by the government, a fixed ceiling of investment, in-house compliance with labour laws, installation of waste treatment plant etc.

Some experts have their strong reservations about offering tax rebate to industries. According to them, the existing SRO on CSR is a premature idea. As tax compliance is still poor among the industries, such a scope for undertaking CSR-related activities may cause a significant amount of revenue loss through tax evasion. Tax holiday, they note, is already there to help accelerate industrial growth. Running two types of incentives simultaneously is not required, they maintain.

However, a majority of stakeholders think differently. They consider that tax concessions can incentivize CSR. Charity and some specific social interventions, according to such stakeholders, should get full tax waivers. But definition of CSR and its difference with charity have to be made clear first, they admit.

According to the businessmen, existing tax benefit is too nominal. Corporate bodies do not find the incentive lucrative enough, considering the time and efforts that are required to be deployed to get the incentives. The procedure of getting tax relief, they note, is also complicated. Taking prior approval from the National Board of Revenue (NBR) is a troublesome job, they strongly feel.

Taxmen are usually found to be not willing to offer the tax rebate as they have to meet their respective revenue collection target for a given period. Some businessmen also say that they are not quite aware of the knotty-gritty of the CSR-related tax incentives.

A negative attitude of taxmen often discourages the companies to apply for the tax rebate. A banker said the taxmen do normally insist upon submission of so many documents, many of which are unnecessary, for too a long period. ‘I preferred giving up the effort for tax rebate to spending a huge amount of time for getting it. It is better to go by the usual rate of taxation,’ he noted.

Most stakeholders have made strong pleas to the government to simplify the process of getting the tax incentive.

There are also differences in views on whether the government’s intervention is required for selection of areas for CSR activities or not. Some stakeholders say the government should not interfere in the process or force the businessmen to spend money on some selected sectors where they are not otherwise interested to invest their resources while some maintain that the government can only identify some broad priority sectors where investment is needed.

About areas concerning CSR activities, stakeholders are broadly of the view that investment in social business and neighbourhood development can be included in the list. Some other areas including promotion of information communication technology, extension of teledermatology facility, promotion of small & medium enterprise (SME) sector, mother-and infant-healthcare etc., have been suggested by them in this connection.

CSR areas, a majority of stakeholders maintain, should not be politicised. If that is done, it can be abused with any change of government, they note.

Analyzing the opinions of stakeholders, MRDI recommended to the government that some special interventions should receive full tax waivers, and the selection criteria of such intervention may be the amount of money spent or area of work done. The list of recognised CSR activities should include any intervention that will contribute to attainment of Millennium Development Goals (MDGs). Furthermore, the MRDI suggested that the government should replace the word ‘donation’ in the relevant SRO by ‘money spent’.

Moreover, the MRDI also suggested that the government should make a provision so that a larger amount of money spent on CSR in a certain year could be split and shown in several consecutive years.

... the government should make a provision so that a larger amount of money spent on CSR in a certain year could be split and shown in several consecutive years.

CSR is now considered as one of the most popular business models. A majority of the business houses have shifted their policy from short-term ‘profit maximisation’ to ‘long-term’ business plan.

Charity or philanthropy is similar to CSR but not the same. Charity to help the poor or the distressed is not a new concept. Individuals and companies have been spending for such purposes for years beyond their own interest. There are differences in opinion on whether charity by a corporate body could be considered as CSR or should enjoy tax benefit.

Academics said CSR is something different. Expenditure of corporate bodies for public welfare is treated differently in recent times. It is something beyond charity. Academics are not in favour of treating CSR as being synonymous with charity or social business. A majority of the businessmen prefer full waivers of tax for CSR activities, saying that they are supplementing government’s efforts to protect or support its citizens in areas where they need it most and also where the government has not been able to do the needful.

CSR activities for corporate bodies should involve their long-term benefits. Corporate bodies can invest in a sector where it has core strength. Companies can invest on developing a locality from where they can get skilled manpower or infrastructure in the near future. The concept of investment through Public-Private Partnership (PPP) can also be incorporated as CSR activities, according to some stakeholder groups.

All stakeholders are unanimous on their view about the need for amending the existing SRO in order to make it more effective.

Doulot Akter Mala, special correspondent of The Financial Express jotted down her experiences on sharing with the stakeholders about the SRO on CSR tax rebate.
The other side of business

Advancing the society

Jerry Mobbs

The three pillars of doing good business are satisfying user demands, improving business productivity and corporate social responsibility. Today, in the 21st century, corporate social responsibility (CSR) is a commonplace concept - yet countless companies practising CSR today continue to remain in the dark about the long and short of CSR and all that it encompasses.

I believe that it is a duty upon us, as not just responsible companies but also caring members of society, to ensure that our decisions and actions do not adversely impact on society. But CSR cannot be limited to managing negative impacts and minimizing damage. For putting our CSR activities into practice, it is of foremost importance that we, as leaders in our respective organisations, do not view these activities purely from a quantitative aspect but consider their qualitative aspects as well.

It is not too difficult to write a cheque; it’s just a flex of a few muscles. Nobody will ever deny that funds are important but it is equally, if not more, vital to ensure that the CSR activities that are funded, are well planned and well executed to make a real difference on a sustainable basis to society. Otherwise, CSR isn’t really responsibility; it becomes a chore -- something one just has to do before continuing doing whatever they were doing before and it becomes then a mere number.

Business and society are both very different today from what they used to be. The state is accepted as the primary provider of social services, while religious and other such institutions that once supported and upheld the morals of society have been separated. In today’s world, it is easy to be less certain about what ethical behaviour is and what it isn’t, and exactly where this line stands. I think we can all agree that the social environment in which we have begun to do business in the 21st century is at best uncertain, complex and multi-layered.

This uncertainty begs us to explore these challenges that we as businesses face in striving to be productive citizens. It asks us what the relationship between society and business is, and how a company can stand to meet its goals and earn and keep the trust of society at the same time.

Despite the complexity of this dilemma of our times, I find that the answer is a simple one. I find that a company can easily be guided on its ethical path and corporate behaviour. It’s a simple two-step process: With regard to society’s norms and expectations, create your values and standards and live up to your values.

I have been serving as the CEO of QUBE, Bangladesh’s first 4G Internet Service Provider, since its inception in 2009. I want to share here a story with the readers, to further what I am trying to say. In 2009, when we started out, we had almost nothing else but from the very beginning we had a CSR manager. If nothing else, we knew that we wanted social responsibility to be inherent in everything that we did as a company.

Currently, as a nation, Bangladesh has undertaken a goal to go digital by 2021. Being a company at the heart of this goal, we immediately found our direction. CSR can come in many shapes and sizes, but one has to ask oneself what value it adds to society, or if it simply adds value to the particular campaign, or just the company. We thought of simple and small ways that we could aid society that would show us returns in the long-run. Unlike what is often common practice today, we did not want a CSR project that was basically a marketing campaign in disguise.

We adapted the ‘Hole in the Wall’ concept, which has recently been very successful in India. As an idea, it is as simple as it gets. The problem we were trying to target is: Lack of good schools and good teachers won’t go to a place where they are needed most. So, can a computer help children to learn technology and using internet? The core belief is if there is interest, there will be education. We collaborated with Jajago Foundation to provide computers to their first school in Rayer Bazar. These computers were to be kept in the balcony facing towards the road, where any child from the neighbourhood could come and use them. After about a year, I can say that the success of this simple project continues to inspire us to take it further and expand it.

This ‘Hole in the Wall’ had a significant impact on these children’s lives. Most of them are first-time users of a computer and of the Internet. While new users arrive to use the computer every day, our retention rate is solid and the children who started using the computers at the beginning are continually working towards achieving fixed goals such as learning a new operation, even if it’s simple thing like learning to draw using a mouse or browsing the web.

The drive that these kids show to learning new things is truly inspiring. The impact that this project had on the kids continues to spread; they are now educating their families regarding computers; they are introducing more and more of their friends to the power of the Internet, and they are constantly bettering themselves.

This is an example of the social impact of a business initiative. There are often differences between commercial benefits and opportunities, and social impact. When we started our project, many asked us the commercial opportunity of the endeavour. But we believe, and I’m sure I speak for everyone in our team, that a just CSR project, though it doesn’t necessarily need to be devoid of personal agenda, should also not be held back because of lack of business interests.

We do not have to spend a lot of money to manage our project. All it takes is dedication. We are in the business of connectivity, and we are in our small way helping the next generation -- the children who are so underprivileged that they have never seen a computer let alone use one -- to learn how to use the computer and the Internet. What we are trying to give them is a more equal platform for them to succeed in life. One might ask ‘what’s in it for us?’, but this is the group that will in 20 years’ time be regular users of the Internet. When conducting our CSR practices, we tell ourselves, don’t expect immediate returns and don’t make it all about commercial opportunities.

Things would have been easy if all commercial opportunities had positive social impacts. But we live in a world where we must constantly make decisions between right and wrong, between profit and difficult trade-offs. In making these decisions, we must consider the following: Our businesses are products of the society they inhabit, and thus in conducting business we must harmonize with the norms and mores of society to positively affect it. Therefore, there is no separation between business and society. And thus, CSR becomes the center stage -- the linchpin -- of doing good business, and not just a marginal idea.

Corporate social responsibility is a hard-edged issue. It involves decisions that are never clear-cut and straightforward. But I believe that we must continue to make more effort to demonstrate our social responsibility, and the returns will definitely come to us. When you foster a healthy business environment and society, it will reward you in the long-run. If nothing else, that is reason enough.

Jerry Mobbs is the CEO of Jajago Wireless Broadband Bangladesh Ltd. He was the Vice President Director of STI in Jakarta, Indonesia, as well the CEO of Pakei and MPS Islamabad, Pakistan. He was also the commercial Director of Comvic International Vietnam. He is overseeing all operations in QUBE Bangladesh.
CSR in Bangladesh

Recent developments in concept and practice

Rodney Reed

In Bangladesh, corporate social responsibility (CSR) is moving from the periphery to the mainstream; it is moving from projects external to the company to initiatives in offices and factories which engage staff in the company’s CSR. There is, however, no sign of the term, Social Responsibility (SR), taking hold in Bangladesh or of it, replacing CSR. This is contrary to the trend in Europe and North America. Foreign Investors Chamber of Commerce & Industry (FICCI) has, however, just renamed its CSR sub-committee to be its Social Responsibilities Sub Committee.

In recent years there has been a strong emphasis in Bangladesh on CSR as philanthropic donations, for an example from the banking sector. Another significant component of Bangladeshi CSR has been in social compliance and mainly reported from the garment sector. The word ‘Social’ in CSR stems from ‘society’, for this reason the term CSR includes Environment, Governance, Ethics and much else. Besides, it is not just social welfare or social work. This being the case in order to practice CSR at ‘international standards’, it is necessary to go beyond legal minimums and externally set standards – which is why factory social compliance is not CSR and also why abiding by Department of Environment Regulations or the Bangladesh Labour Act is also not CSR.

In a short article such as this one, it is not possible to list every initiative or the involvement of every CSR or SR stakeholder; neither is it possible to list every book and journal published about CSR in Bangladesh in recent years. This being the case, this article is intended to give a general overview. It uses examples which are not intended to be an exhaustive list of projects or agencies. It is based on this writer’s six years’ personal experience of CSR and its development as concept and practice in Bangladesh.

This writer has lived in Bangladesh since 2005. Reed Consulting Bangladesh Ltd. was incorporated in Dhaka in July 2006 and has been a CSR champion in Bangladesh since that time.

SR or CSR: Internationally, Social Responsibility (SR) has taken over from CSR as the preferred term. An international guidance standard for SR was implemented in 2010, now termed as ISO 26000:2010. Reed Consulting ran a national SR Consultation in 2008 for BSTI funded by UKTI and BBG. These sponsors also paid for two Bangladesh delegates to travel to the Least Developed Country (LDC) consultation on SR in Santiago, Chile; the delegates were the DG BSTI and a Director of BGMEA. In the international vote about the implementation of ISO 26000 Bangladesh (represented by BSTI as the ISO Member Organisation for Bangladesh (abstained in the vote). There is, as yet, no real interest in ISO26000 in Bangladesh because it is a ‘SR Guidance’ and not a ‘Certifying Standard’. Certifying Bodies including SGS are now interested in bringing ‘The CSR Performance Ladder’ devised by the Netherlands-based Central College of Experts of ‘The Foundation Sustained Responsibility’ (FSR) into Bangladesh.

ISO 26000 – International Guidance on Social Responsibility: ISO 26000:2010 provides guidance to all types of organisations, regardless of their size or location. ISO 26000:2010 is intended to assist organisations in contributing to sustainable development. It is intended to encourage them to go beyond legal compliance, recognising that compliance with law is a fundamental duty of any organisation and an essential part of their social responsibility. It is intended to promote common understanding in the field of social responsibility, and to complement other instruments and initiatives for social responsibility, not to replace them. ISO 26000:2010 is intended to provide organisations with guidance concerning social responsibility and can be used as part of public policy activities.

CSR Champions: CSR in Bangladesh is now developing quickly because of the personal interest of several key stakeholders e.g. the Governor of Bangladesh. Bank has taken a personal interest in CSR Development and the commercial banks have now become leaders in the funding and implementing of CSR projects. Similarly senior executives of a number of Bangladesh-based companies have taken personal interest in CSR. The logos of many of these companies are displayed on the back-page of the MRDI Newsletter. BEI and their CSR Centre’s CSR Round Tables and Newsletters and other CSR activities have helped to raise the profile of CSR in Bangladesh. Several NGOs have also recognised the importance of CSR and have established CSR Centres. They include:-

- MRDI and Manusher Jonno and their Connecting CSR with Development to Address Poverty initiative which includes the CSR Review in which this article is being published
- Save the Children Bangladesh and their Child Labour initiative
- Centre for Disability in Development and their ‘Disable in Development - Connecting to CSR initiative

Representing the largest export sector in Bangladesh, BGMEA and BKMEA have implemented a significant number of CSR projects as part of their charitable activities for their workers. These projects include hospitals, community healthcare, child day-care facilities, worker group insurance schemes and factory worker safety programmes.

International companies with departments or offices in Bangladesh or who are sourcing from Bangladesh factories, have also been influential in the development of CSR. International garment brands, for example, have included Social Compliance requirements in their Codes of Conduct for source factories and these garment brands have raised awareness about CSR inside the garment factories. Though, as has been explained earlier, social compliance and rule-keeping in themselves are the basis of CSR, but CSR is what is constructed on these foundations.

US Ambassador H.E. Dan W. Mozena recently championed environmental CSR by personally picking up litter with his team on the sea-beach part at Patenga in Chittagong. This was done under a programme, organised by USAID in Bangladesh and US Embassy in Dhaka.

CSR Awards: Several organisations in Bangladesh have highlighted good CSR practice in the corporate sector in Bangladesh by presenting CSR Awards. These include Standard Chartered Bank and HSBC. The national print media’s reporting of CSR projects generally and of these award ceremonies in particular have also been influential in the development of CSR in Bangladesh. The Rolex or GlaxoSmithKline plays an important role in the development of CSR in Bangladesh. The leadership of The Daily Star and The Financial Express in reporting CSR development in Bangladesh and the role played by their Editors and Deputy Editors in pioneering the MRDI-Manusher Jonno ‘Connecting CSR with Development to Address Poverty’ initiative have been particularly important.
Tax Exemption: An initiative by the Government of Bangladesh that has moved CSR project funding forward is the offer of a 10% tax exemption by the NBR. Initially SRO 08 set out the fifteen projects and causes which could be recognised for tax exemption as CSR and this list was later revised in a budget speech by the Honourable Finance Minister.

Seminars, Workshops, Round Tables: During the last five years, a wide range of organisations have offered CSR discussions and events. Sometimes these events were facilitated by Universities e.g. by University of Chittagong and Daffodil University. Embassies, donor agencies, companies and banks have also sponsored CSR events. The list includes:

- ‘Social Responsibility of German Business’ with Presentations on Social Firms and Social Responsibility by Bangladesh German Chamber of Commerce.
- DFAIT Canadian Trade Commissioner Service, UNDP, the Embassy of the Kingdom of the Netherlands and giz and many other agencies sponsor seminar programmes through a variety of service-providers
- The BFI series of CSR Round Tables and publication of a CSR Newsletter and their development of a CSR Centre which is now an independent trust.
- Reed Consulting Bd Ltd. has run a year-long programme of national CSR seminars sponsored by giz and has also published promotional material for CSR in Bangladesh
- Chambers of commerce and industry in Dhaka, Khulna and Chittagong host CSR seminars as do BGMEA and BKMEA. These bodies often have their own CSR Sub Committees or Standing Committees.

Company CSR by national and international companies: Many company websites in Bangladesh now carry CSR Reports – national as well as multinational companies. Many of the companies listed on the back page of this MRDI CSR Newsletter have well established CSR policies and are major donors to CSR activities in Bangladesh.

Service Organisations and CSR activities: Rotary International has a Four Way Test which is now being recognised as a CSR definition by the 172 Rotary Clubs in Bangladesh. More than 60 years ago, in the middle of the Great Depression, Herbert J. Taylor, a Rotarian in the U.S.A. devised a simple, four-part ethical guideline that helped him rescue a beleaguered business. The test, which has been translated into more than 100 languages -- asks of the things said or done: 1) Is it the truth? 2) Is it fair to all concerned? 3) Will it build goodwill and better friendships? 4) Will it be beneficial to all concerned? Rotary Clubs and other service organisations in Bangladesh including Lions Clubs International have philanthropic projects in the community which would also be included in the current Bangladesh understanding of CSR.

Books in Bangladesh about Bangladesh CSR: The following is a short (but not exhaustive) list of books that have been published in Bangladesh about CSR:-

- ‘Missing Links – Corporate Social Responsibility and Basic Education in Bangladesh’ (In 2006 authors being Business Community Partnerships and being sponsored by Commonwealth Education Fund Bangladesh)
- ‘Corporate Moral Responsibility’ (In 2006 author Mohiuddin Babar)
- ‘Walking the Bengal Tiger’ (In 2008 by Reed Consulting Bd Ltd)
- ‘Corporate Social Responsibility in Developing Countries – The Case of Bangladesh’ (In 2008, authored by Ataur Rahman and published by Ashgate Publishing Ltd)
- ‘CSR Good for Business Good for Bangladesh’ (In 2008 by Reed Consulting Bd Ltd, sponsored by UK Trade and Investment and the British Business Group)
- ‘A CSR Guide for Entrepreneurs and Factory Managers’ (Bangla and English editions) (In 2010 by Reed Consulting Bd Ltd. sponsored by giz pse)

Many other CSR newsletters, CSR pamphlets and CSR occasional papers and CSR seminar papers were also published by a variety of authors and CSR stakeholders in Bangladesh during same period.

Linkages recognised with GRI, 3BL, Global Compact and Climate Change Initiatives: Recent developments in CSR concept and CSR practice in Bangladesh have recognised that there are links between CSR and AccountAbility and their AA1000 standards, The Global Reporting Initiative (GRI) and its Sustainability Reporting Framework and The United Nations Global Compact (UNGC). There are also climate change initiatives which are relevant to the idea of extending the ‘reach of CSR’ in Bangladesh. Bangladesh appears to have adopted a position that the country is a climate change victim and so should be given funds to alleviate and ameliorate the problems faced whether that is salination of the southern part of the country or the likelihood of the northern parts of Bangladesh becoming more arid.

However, in terms of environmental social responsibility, the river pollution around Dhaka and going further south towards the Bay of Bengal, is the responsibility of the people and the manufacturing sectors of Bangladesh. Similarly, the air pollution, caused by the brick kilns around the residential centres, are the responsibility of the people and the brick producers of Bangladesh. Projects in Bangladesh which promote energy efficiency and cleaner production are social responsibility when international definitions of SR are used. Cleaner production methodology and energy efficiency are certainly social responsibilities when viewed through the lens of ISO26000. Projects that are intended to minimise waste and wastefulness are also social responsibility projects when viewed as part of this ‘broadband’ understanding of social responsibility. Initiatives taken in the manufacturing sector to introduce LEAN Continuous Improvement (LCI) methods to the garment factories are also social responsibility because they are intended to reduce waste and wastefulness as well as improving productivity and profitability.

Measuring and Evaluating and Certifying CSR in Bangladesh: As has been explained, SR has begun to replace CSR as the world terminology. Little attention has been paid in Bangladesh at the present time to measuring the effectiveness of CSR projects or to judging the ‘value for money’ or the ‘return on investment’ that the commercial and banking sector might gain from their philanthropic donations. Two certifying bodies in Bangladesh are now considering ways to measure, evaluate and certify CSR. They are: SGS in Bangladesh Performance Assessment Audit, based on ISO 26000 which is ISO26000 familiarisation and Training – a 2-day course; Intertek Compliance Practitioners Initiative (CPI) in Bangladesh for Quality Engineers and CSR Auditors. Intertek CPI offers CSR Auditor Training and SGS Certification as Provisional Auditor or CPI Certified Auditor or CPI Certified Lead Auditor or CPI Certified Principal Auditor.

ISO26000 is, as has been explained, a Guidance Standard, not a Certifying Standard. ISO 26000 does, however, permit organisations to self-assess their SR activities and then to make a statement of the match between their SR and ISO 26000. Reed Consulting has made a statement on its website (in a format acceptable to ISO), indicating that the SR practised by the company is based on, and is consistent with, ISO26000.

Conclusion: It has been stated that Bangladesh CSR is still in a ‘primitive state’ of development because of its strong attachment to corporate philanthropy and social compliance. Internationally companies are moving to bring their CSR activities into the core of their company activities rather than fund unsustainable peripheral projects. Recent CSR developments in Bangladesh have shown that the concept and the practice are developing and that companies and organisations here are beginning to align their CSR with international norms.

As Bangladesh progresses from LDC to Developing Country (DC) status, the Government will be able through its own tax and VAT revenues to fund the health, education and environmental enhancements that are currently being paid for by company CSR. Until that economic development takes place, corporate philanthropy as CSR will continue to be important but when compared to international SR, philanthropy is only a part of the whole picture.

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Like previous seven 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 March 2012 to May 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.