Trends in Global Corporate Social Responsibility Practices
The Case of Sub-Saharan Africa

Delwin A. Roy, Ph.D.
Partner and Secretary, The Loita Group of Companies and
President, The Eric Edward Roy Fund
DARoy@aol.com

Abstract

The sub-Saharan region of Africa is unevenly served by companies practicing corporate social responsibility. Internationally, only about 3 percent of global investment is destined for Africa; the bulk of this is destined to reach only 3 countries. Many governments do not actively support the growth of local private enterprise, nor do they wish the private sector to be actively involved in major social and economic issues. This leaves many poor countries with only limited economic resources outside the purview of those companies that have active corporate social responsibility strategies in Africa. Too, multinational corporations tend to be risk avoiding in their responsibility efforts, and therefore avoid the larger and more complex social issues. Poverty pandemic diseases such as HIV/AIDS, poor education, civil disorder and tribal tensions, and high rates of infant mortality are thought to be issues that only governments, not private companies, can solve. Yet, it has been demonstrated that it is often the private sector, if so inclined, which can bring creative and innovative thinking to such issues. Small, effective projects that provide solutions can often alter the actions of the larger multilateral donor agencies and African governments.

I. Introduction

"Look at the recent history of Asia. It wasn't charity that built those economies up to world-class status. It was private enterprise, intelligently applied." Michael Maren, *The Road to Hell: The Ravaging Effects of Foreign Aid and International Charity*, stated to Anne Fisher, Fortune, Nov. 10, 1997.

"…there remains much suspicion among the non-business community of business motivation and value when it comes to addressing social issues." Chris Marsden, former Head, Community Affairs, British Petroleum, in, "Competitiveness and Corporate Social Responsibility," *alli@nce* (March 1997).

Africa, particularly the sub-Saharan Region, suffers from the lack of corporate social responsibility investments. Governments in many nations have not sought to grow the private sector, relying instead on socialization of the economies in which highly inefficient public enterprises languish.

Multinational corporations are not always welcome either, though there is significant foreign investment to be found in nations such as Angola, Nigeria, South Africa, and increasingly, in the West African nations. The major foreign investments historically and in the contemporary sense are found in the extractive industries, precious metals and diamond mining as well as other minerals and oil. Foreign investment is also prominent in the tourism industry. Accordingly, one is most likely to find those multinational corporations engaging in CRS programs in such industries.

There are some outstanding examples of excellent CSR actions to be found: Anglo-American (South Africa), Rio Tinto, owned by GTZ, operates mines in several African countries; and, Chevron Texaco (Angola) to mention but a few. However, two important characteristics regarding foreign investment are observed:

- In 2002, less than 3 percent of global foreign investment flows were destined for African countries and 3 African nations, Morocco, Chad, and Nigeria, accounted for bulk of such investments.
- There are many African nations that have serious deficiencies in their ability to attract any kind of private investment, foreign or local. These countries have relatively small markets, few resources, low personal income, and poorly educated populations.

Indigenous private sector growth is showing some significant signs of increasing. Historically, local private sector activities were mainly small scale and involved limited capital investment. Part of the colonial hangover in Africa is to be found in the very limited number of Africans, particularly Black Africans that have been able to assume investments of scale and have the requisite contemporary entrepreneurial and management skills necessary to succeed. Needless to say in local private business situations where capital investment is in short supply, and business operations often hold a tenuous position in the market, it is difficult for a social responsibility agenda to enter the business equation. There are clear exceptions to this observation, but I do not consider the practice of CSR by local firms to be extensive.

Even if foreign and local investment in Africa was vastly increased, is it reasonable to assume that private business can effectively address the major issues that plague most African nations? Widespread poverty, corruption, inadequate resources, poorly trained labor supplies, wars and other forms of civil strife such as ethnic cleansing, pandemic diseases such as HIV/AIDS and malaria, tribal tensions, and ruinous economic policies have led to problems of such scope and dimension that it is only governments, African and international, that can mobilize the necessary capital to begin to make headway on these enormous issues. Or so it might seem.

I do not subscribe to this line of thinking, for when the waste that is so prevalent in massive schemes to address large-scale social and economic problems is taken into account; other avenues of problem resolution obviously need to be fomented. The private sector, whether through multinationals or local business operations or a combination therein, can bring entrepreneurial and management skills to the resolution equation. It is often the smaller-scale innovative approach that provides workable solutions to the much larger social or economic problem. I agree that private companies do not have the resources or experience to fully remedy these massive problems. However, I contend that they necessarily must have a creative role in defining possibly new ways of addressing these problems.

This work looks at the ways in which corporations are rethinking the "strategic business value" of corporate social responsibility (CRS), wherever and whenever a company decides it must be active. In this analysis, I take at face value the major rationales a business might adopt in undertaking CRS initiatives. Two themes, rather dichotomous, co-exist in most corporations a purely philanthropic approach "of giving back to the community" with minimal concern for any business gain **and**, CSR programs that have at their core a strategy that impacts favorably on business interests such as profitability and product sales. There are variations in CSR practices that combine elements of both corporate motives to be found between these seemingly disparate poles of corporate giving behavior.

Two cases drawn from Africa are presented. Both cases involve support of innovative solutions to major economic and social development problems, and both involve a mid-size, pan-African corporation. In looking at the sub-Saharan Africa region, it is important to fully understand the thrust of contemporary corporate social responsibility strategies and the implications of the emergence of a global economy upon these strategies. For many reasons, it is clear that corporate philanthropic giving in Africa—purely charitable or more decidedly business-oriented—whether from multinational corporations or local businesses is rather more under-developed than is the case elsewhere. To understand more clearly why this is the case, factors that are driving current CSR practices, particularly those of the multinational corporations, must be considered.

2. Review of global trends in corporate social responsibility practices

Changing technology, the emergence of the global economy and the homogenized character of competition, and the rapid growth of capitalism all have served to radically change the landscape of contemporary corporate social responsibility practice. Where once the United States private corporate sector was considered the most advanced in CSR thinking and practice, global economic changes and in general, the collapse of communism as a workable economic and social ideology, have resulted in significantly altered private corporate sector views in other major regions of the world. While U.S. corporate sector, in monetary terms, remains the largest contributor to CSR programs and projects, both multinational and local companies in many other countries are more inclined to consider the need to adopt a CSR strategy.

CSR practice in the U.S. is changing in another dimension. Unless one is able to clearly demonstrate to management how a corporate responsibility program benefits company interests, and the many stakeholders involved, it is unlikely that whatever investments are being made in the community will be taken seriously. In many companies, there now exists a clearly stated policy to seek direct and favorable impact on business interests through CSR-funded projects. Companies still recognize that benefits can come from community investments that are purely altruistic in intent, seeking no business advantage whatsoever. However, there is a growing belief that benefits can also come from community investments that are patently linked to business strategies.

As a result, more corporations are concluding that by linking business concerns, indirectly or directly, to what now are called social investments in no way serves to detract from simultaneously realizing high moral purpose and meeting public needs. In fact, what this linkage can do is increase the effectiveness of such investments, and the seriousness with which the company views the needs being met. I should note here that the logic of linking business goals and purposes to CSR programs is not the special province of only U.S. firms. This strategy is to be found in the halls of corporate social thinking in other parts of the world, especially in Western European multinationals.

Is this change which some believe is a move away from the altruistic and true purpose of giving necessarily negative? If a business is at its best when it is "strategic" in thinking through the growth scenarios that lead to expanding markets and sales growth, increases in productivity, lower production costs and higher product quality, and becoming the "employer of choice," can it not then be presumed that being "strategic" about its community involvement—and deriving business benefit from this—is consistent and ought to be acceptable. One can believe that being strategic is inconsistent with the "spirit of giving," but then this may not be the most effective way of truly engaging businesses in the fabric of change and finding solutions to tough social issues and problems.

I believe that a firm seriously considering its investments in the community—even choosing to consider these "investments" and not donations or gifts—is more likely to bring added value to the community and itself. An investment that receives better planning, seeks to measure results and impact on community problems, and commands the attention of top management and full organizational support for the investment initiative is far more preferable than the alternative. The philanthropic landscape around the world is littered with the remains of thousands of projects, some achieving extraordinary results but ceased to be funded, because these projects could not be sustained or maintain the needed benefactor interest for long-term constructive results.

2.1 Coalescence and variation in CSR practices

The practice of giving, or giving back, varies considerably from one cultural and national setting to the next. This cultural/national nexus produces a legal environment with which a company that engages in CSR, depending upon where it is domiciled principally (i.e., whether it is based in the U.S., Japan, South Africa; Germany; etc.), must condition the nature and extent of its CSR activities. For the multinational corporation that engages in foreign investment and wants to carry its CSR commitment abroad, quite often the character of exported CSR activities, both in terms of what activity is being funded—or whether it can be funded at all—involves the cultural and legal context in the country to which corporate giving is directed. The political regime, any laws pertaining to philanthropic organizations or the absence of such laws, and the particular religious beliefs all flavor the practice of giving and receiving. Many governments simply don't want foreign or local private companies engaging in social programming, or wish to control it in such fashion as to negate any constructive purpose being served by CSR programs.

Most cultures have some form of charitable giving in evidence; for example the Muslim world had the zakat, a form of religious tax designed to help the poor, long before the U.S. or Europe developed systemic philanthropic responses. Certainly, the practice of corporate philanthropy as well as the broader practice of corporate citizenship is in part conditioned by the cultural setting in which it occurs, in its home country or abroad. In almost all instances, business participates in this tradition—whether in the form of individual private giving from wealth accumulated through business, or in the form of the company taking CSR action as a company.

Chris Marsden, in his foreword to *Global Corporate Citizenship—Rationale and Strategies* (Logan, Roy, and Regelbrugge: The Hitachi Foundation, 1997) eloquently sets forth the primary reasons why companies, in his words, "**must** participate" in supporting communities:

- Corporate reputation—seeking to improve this with local communities, opinion leaders, and customers.
- To derive benefits accruing to employees through opportunities to volunteer and render public service.
- To establish business and community contacts, build alliances with stakeholders—shareholders, suppliers, employees, public leaders, and, customers—gain important business management knowledge by better understanding the local operating environment.
- To take advantage of direct marketing opportunities where citizenship activities can logically and openly tie into business interests.

To this list I add three other reasons why businesses become active in corporate citizenship activities. These derive in large part from the changes that have taken place competitively and politically and are perhaps most germane to those undertaking business operations in the newly emerging markets:

- To build a sustainable market presence over time by investing in the social infrastructure to ensure healthy and productive human resource capability, and healthy community environments for long-term, free market development.
- To build upon the capacity of NGOs and governments to provide important infrastructure needs such as adequate housing, medical care, education and training and such services as potable water, sanitation, and, transportation.
- To build effective partnerships between the government, NGOs, and, the private corporate sector to achieve what Marsden calls,

> "a critical mass … an effective three-way partnership … each bring their resources, expertise, and perspective to the problem."

Taken altogether, a compelling purpose for CSR action globally is to perpetuate the license to operate, particularly in geographic areas that may be hostile to foreign investor presence.

The degree to which any one of these motives prevails in building the internal support and rationale for an active social and citizenship agenda varies considerably. Some activities—cause-related marketing, for example—relate directly to a business agenda and market strategy. Others, such as providing volunteering opportunities to employees, are less direct in their effect on business interests, more in the vein of social commitment and service, but nevertheless can have a great deal to do with employee morale and, in some cases, retaining qualified personnel.

Variety in the rationale and strategies of community involvement companies pursue is clearly apparent, not only across industries and but also within industry categories. Since innovation is perhaps one of the greatest strengths the private sector can bring to its corporate philanthropic programs, a high degree of diversity in the social causes and issues supported and the manner of this support should probably be viewed positively.

When is the combination of motivations likely to be best, not only for the business but also for the organizations, and the social causes and concerns in their agendas that a company chooses to support? Chris Marsden answers this by noting: "To build a critical mass of the business sector to make significant and sustainable contributions … it is best to work with the grain of normal business motivation rather than rely solely on a sense of civic duty or philanthropy." I know of very few companies engaged in the practice of corporate citizenship that would disagree with this.

2.2 There is no "one size fits all" global or local CSR strategy

Changes in the global economy do not necessarily lead to symmetry in CSR strategies. As noted, more multinationals now openly seek linkages between their CSR efforts and business goals. In this sense, one can see coalescence in strategies no doubt somewhat influenced by increased competitiveness.

Even here, however, the degree to and the manner by which a business seeks specific self-interest and bottom-line impact through its community investment activities will be conditioned by the cultural context from which the business comes and its particular business culture. In addition, this degree and method will vary according to the culture to which the community investment is directed. For example, businesses in the U.S., foreign or domestic, have considerably more flexibility and motivation to engage in support of all manner and levels of education than businesses in France, where the government is indisposed to even its own corporations actively engaging in public education policy or pedagogy, at least in any meaningful sense. While in Japan corporations are seriously proscribed from making a broad range of investments in social causes and community needs—health care, housing, education, crime prevention or substance abuse prevention—Japanese corporations are expected to do so through their operations in the U.S., but not in France.

Businesses vary widely, wherever they conduct operations, in the degree to which they want or are permitted to link their community investment programs to their business interests. In the U.S., the legal framework makes such links possible and relatively easy; in other parts of the world, establishing such links may be far more problematic. For example, in the People's Republic of China, donations and other forms of charitable giving to government officials or other persons with influence over government actions for the express purpose of gaining business favor are treated in the foreign investment law as acts of bribery. Some nations have legal prohibitions enacted to prevent businesses from engaging in bribery for the purpose of gaining competitive advantage. In the U.S., the Foreign Corrupt Practices Act is one such law. It certainly applies to illegal payments that any business tries to pass off as a charitable action or a community investment, but in fact, is an attempt to bribe.

No one country's businesses are setting any global trend decisively with respect to the present course of the practice of corporate responsibility. There still exists so much diversity, conditioned by very different national and business cultures, legal structures, tax practices, and community norms and religious values, around the world that accurately identifying one or two common themes or trends proves elusive.

2.3 What is a "responsible" corporation?

There are any number of corporations that are recognized as being "responsible corporate citizens:" U.S. firms such as Merck & Co. (pharmaceuticals), Levi Strauss & Company (apparel), and Hewlett-Packard (computer technology); U.K. and Continental European firms such as Marks & Spenser (retail department stores), the Swiss company CIBA-Geigy (chemicals and pharmaceuticals), the German company

Robert Bosch GmbH (communications technology, automotive equipment), and the French company ELF-Aquitaine (petroleum products); Japanese firms such as Hitachi, Ltd. (power distribution equipment; computers; bullet trains) and Honda Motor Corporation (automobiles); and, firms in emerging markets such as the Philippine company Ayala Corporation (insurance, finance, housing construction), the Brazilian company Aracruz Cellulose S.A. (paper pulp), the Jamaican company ICWI Group (insurance, finance, and real estate), the South African company Anglo-American, and the Turkish company the Koc Group (transportation products, banking and finance, retailing).

What makes these firms, and hundreds of others, stand out and leads to their recognition as "good corporate citizens?" There is no single factor, but in the area of community involvement, it is usually the long-term, organization-wide commitment to be a good community citizen, both in terms of the quality of the products provided and in the civic sense. In some cases, this commitment stems from the vision of the founder(s). In others, management has realized the business value of striving to be a good and involved community citizen.

When are companies considered "irresponsible?" There are many examples: when Royal Dutch Shell fails to be sensitive to environmental concerns, whether in the North Sea (sinking an obsolescent drilling platform) or in Nigeria (polluting the environment in the Southern region of the country and dealing with odious and repressive military regimes); Exxon on the occasion of the Exxon Valdez oil spill; Union Carbide in the Bhopal incident; General Electric for ostensibly dumping old lead batteries in the Philippines; and any number of Japanese firms for damaging the environment throughout Southeast Asia for using "slash and burn" tactics in stripping resources such as hardwood forests.

It is important to note that in many cases where corporate irresponsibility is charged, the companies had excellent reputations as good corporate citizens **prior to** the incidents that led to public criticism. One must also note that the status as a good citizen has once again been accorded many firms **since** the incidents that led to public disapproval occurred.

2.4 From Local to "Glocal"

Much of the rationale set forth for placing strategic business value on a company's corporate responsibility action stems from the rapid changes that have taken place in the global economy. Not every international corporation chooses to practice corporate community investment beyond its home country's shores. However, there is increasing evidence that many of these corporations feel that they must compete for new foreign markets in ways quite different than experienced in their domestic markets. The oft-cited adage "think global, act local" thus has become an integral part of the management mantra of multinational, and often even of local, corporations.

Whether companies choose to confine their corporate responsibility programs to the domestic marketplace, or carry these to new foreign markets where they are active, the effects of global competition are influencing the corporate attitude toward seeking strategic business consequence from community social investments. This does not mean that all companies will adopt such a strategy. It does mean that companies have to carefully review alternative ways of being corporately responsible in the 21st Century.

However, there is every indication that the changed competitive circumstances that businesses face in all their respective markets—local, national, regional, or global— is serving to increasingly preempt most firms' commitment to a non-business related social responsibility strategy. Some observers see this as clear evidence of serving the common good. Critics see this trend as "business as usual," simply writ larger.

There are counter-balances to the degree that companies can overtly seek to fulfill business needs to the extent that no public or common good is observable. Information technologies permit far more scrutiny of corporate practices of all kinds. No firm can hope to be immune to oversight, and its reputation will precede it wherever it goes—and before it gets there to begin business operations.

In most countries, the practice of corporate citizenship remains a very minor sideshow. The state is expected to resolve the most major community needs for development, growth, prosperity, and protection of the public interest. However, the enormous growth of the private sector is changing this scenario. Even though the impact of this growth falls very unevenly around the world, the impact does fall.

While I realize that the "corporate responsibility profile" of any particular company may be consistently undermined and diminished in a variety of ways, in the long-term, the private sector must take real responsibility for the creation of healthy communities and a healthy environment. The "market" that so many firms slavishly follow in determining their business practices will either enforce this—or public reaction and pressure exerted on governments will. Most likely, it will be a combination of both. The world is in a major transition; "global competition," if this exists, and the effects it currently may be having on the behavior of business, is too.

2.5 Limitations inherent in CSR initiatives

There is a good deal of discussion about the future of capitalism. Recent events in Asia and Russia seemingly do not bode well, either for the continued expansion of capitalism or for continued public acceptance of capitalism's shortcomings. Can capitalism ever lead to the equitable distribution of wealth upon which its future will increasingly depend? Free market operation on its own does little to ensure this equity.

If one interprets private corporate responsibility action as at least one of the means by which equity can be improved, whether as a form of transfer of wealth or a transfer of skills to enhance one's wealth, then I predict that a number of things have to happen. I do not believe that companies will abandon their quest for strong linkages between their business and social responsibility strategies. If anything, I think we will see more companies, not just those in the U.S., attempting to do this.

On the other side of the equation and whether or not a company seeks a business return through its CSR actions, there are clear areas where CSR approaches need substantive improvement:

- Shareholders must be educated on the need to move away from the present, very narrow definition of the purposes of business. Shareholders invest for a return, but they have to understand that this return is not necessarily going to be less because a firm chooses to advance improvements in community life. Study results show that the corporately responsible firm often earns a higher return as a consequence of enhancing its corporate social responsibility profile.
- Corporations worldwide have to take the need for volunteerism in communities far more seriously than they do at present. A good deal of lip service is presently paid to this issue. Many firms advocate volunteerism only because they see it as a potential offset to cash expenditures for community improvement.
- Partnering—with other firms, NGOs, governments, and with other foundations (private; family; public)—has got to move beyond the realm of rhetoric. The growing complexity and pervasiveness of human and communal problems requires economies of scale, not the continued pursuit of a firm's ownership of only a small piece of a community problem. Synergies must be explored and responses coordinated. Otherwise, the scale of improvements needed—and the time it takes to obtain these—will be undermined by a continuation of the present piece-meal approach.

- More constructive dialogue on and a greater understanding of and appreciation for the role of the private sector in improving social conditions—and how this sector can be most effective—is needed. At present, most assemblages on issues of community development and improvement spend far too much time being critical of business and exert very little energy on learning how to engage business constructively in the discussion.
- Firms must move away from expecting tax relief as the primary if not the sole motivation for supporting community investment programs. If most of the major social ills that presently afflict nations aren't resolved, these tax savings are going to pale in comparison to the costs of inaction that will visit a company's balance sheet.
- The needs of communities and nations that consistently fall outside the interests of the private sector because private sector investment there is unattractive must receive attention. To write them off solely because market size, disposable income and the community or national asset base "does not transact" in investment feasibility analysis, is extremely short sighted.
- Corporate community involvement programs have to address in meaningful rather than token fashion the problem of the lack employment opportunity and job security, particularly as it relates to dealing with the economic and social iniquities of the free market system. When asked why he was paying $5 a day for unskilled help in the early 1900s—a time when such labor was paid $1 a day—Henry Ford replied, "because people who make $5 a day buy cars." Companies might want to bear this in mind.

I believe the character of and rationale for companies conducting corporate community involvement will continuously change. The social and economic dynamics of most communities, indeed, nations, are changing so rapidly that no company can afford to ignore the importance of continually reviewing and improving their CSR program.

3. Cases

Case studies are useful in highlighting and underscoring the main factors at work in the practice of CSR in Africa. There are literally hundreds of examples of philanthropic actions taken by myriad corporate, religious and NGO players that one can cite. I have selected two with which I am familiar and have been directly involved.

3.1 AIDS orphan care: Malawi Children's Village (Malawi) and The Mango Tree (Tanzania)

Malawi is one of the poorest nations in sub-Saharan Africa. Its economy is largely agriculture-based, there are few natural resources to speak of, and like many nations in the Central African region, HIV/AIDS has reached pandemic proportions. In Zambia, Zimbabwe and Malawi, AIDS infects about 25% of the population; it is estimated that 40% of mothers giving birth are HIV positive.

Malawi is not a country that attracts foreign investment. Consequently, there are no significant resources coming from multinational corporations simply because most companies do not invest in CSR programs where they do not have a physical presence.

At present, studies show that 20-30% of those of childbearing age are AIDS infected. As a consequence, the AIDS orphan population is estimated to exceed 700,000. Recently, in one area in southern Malawi with a population of 25,000, there were 2,200 orphans identified.

There are many orphan care operations in Malawi, but most are under funded and have no resources to do much more than "warehouse" these young victims of the AIDS epidemic. The result is that in addition to having the social stigma of being an orphan and the emotional trauma of having lost one's parents, very few can look forward to receiving an education or any kind of economic security.

The Malawi Children's Village (MCV) was formed in 1995 by a group former U.S. Peace Corps volunteers that had served in Malawi, and concerned Malawian citizens. Its stated mission was to establish a systemic and holistic response to the AIDS orphan problem, i.e.: "to improve the immediate conditions and future prospects of local children orphaned by the AIDS pandemic in Malawi through village-based programs that are developed with traditional systems and are sustainable."

The organizers sought to draw upon the values inherent in an extended family environment and the communal orientation to be found in the structure of Malawian villages. The MCV also seeks to engage the village headmen in all decisions regarding the placement of the orphans and gain their commitment by asking them to appoint two volunteer village coordinators. These coordinators, with the support of a small central staff, identify orphans in their respective villages and assist in placing them with guardians.

The staff of the MCV is made up entirely of Malawians. This is an exception as many charitable projects are not typically led by nationals.

The project serves 37 villages in an area of 100 square kilometers with a population of 30,000 and located on the southern shore of Lake Malawi. It currently provides services for 3,400 AIDS orphans.

Services are provided both to relieve the burden on families that agree to take in orphans and to insure that an appropriate standard of care is available to them. The service base is designed to meet both continuing needs as well as maintaining capacity to meet emergency situations:

- An outreach team, headed by a registered nurse conducts monthly visits, accompanied by the village coordinator. Medications, food, nutritional supplements, clothes, blankets and transportation are provided as needed.
- Village coordinators receive periodic training on childcare, early detection of medical problems, HIV/AIDS prevention, care of AIDS patients, nutrition and other health care subjects.
- During droughts, MCV procures and distributes food staples such as maize and flour as well as seed to the 1,900 families that care for orphans.
- A medical clinic is open every weekday morning that ministers to orphans and their guardians.
- A nutrition rehabilitation service is available for infants and toddlers who are in failing health due to malnutrition.
- MCV encourages guardians to keep children in school, and procures books and uniforms for primary children. It provides secondary school fees for selected students in those cases where the guardians need assistance. Assisted students are expected to "give back" to the community at work at the Service Center during the summer months.
- A library has been established and is accessible to the community at large as well as to students.
- MCV is in the final stages of building a vocational training center. When completed, this will be open to successful secondary school leavers. Training is to be available in automotive repair, woodworking, the needle trades, agronomy, mechanical repair and tin-smithing.

In September 2002, a retired businessman established The Mango Tree Orphan Support Programme (TMT), located in Kyela, Tanzania. Like the former Peace Corps volunteers involved in the formation of the MCV, he had been in the United Kingdom's volunteer service program, serving in Tanzania. During the planning stage for TMT, the organizers drew heavily on the experience observed at the Malawi Children's Village.

Located in the northern region of Lake Malawi, it serves 2,850 AIDS orphans in 29 villages. There are an estimated 11,000 orphans in the Kyela district, about 8% of the total population. TMT is the only facility providing assistance for the children affected. Seventy percent have lost at least one parent. The mission is to meet the immediate needs for food, clothing, housing and medicines, while in the longer-term providing education and practical training to insure income-earning capability in the future.

Similarities are to be found between MCV and TMT in the provision of services. Obviously, as TMT has only operated for just over a year, the service base is not as extensive as to be found at the MCV.

In 2003, TMT distributed 2,100 primary school uniforms; another 22 children received tuition support at the secondary level as well as books and uniforms. A series of 4-month vocational training courses in tailoring and carpentry were offered and completed by 23 students.

A full time health officer, a registered nurse, extended here work to 16 of the 29 villages and a second RN has been recently acquired. The TMT has completed construction of The Nutrition Center in March 2004. As is the case at MCV, the staff at TMT is indigenous.

Both of these efforts, MCV and TMT, are "bottoms up" efforts, indigenously led and operated, and neither receives any government funding, nationally or internationally. At MCV, the cost per year for each orphan is in the range of US$ 20-23. Both projects depend heavily on volunteer assistance. A good deal of business acumen is applied to the management and operation of these orphan care facilities and as a result, measurable positive gains are apparent. Corporate support, either from local or international sources has been sporadic; the main sources of financing have come from individual contributions.

The Loita Group of Companies is an African-based financial services and information technology firm operating in over 20 countries in the East, Central, and Southern regions. It is African-led, multinational in ownership, and pan-African in its operational outlook. It set out to demonstrate that African professionals can staff, manage and lead operations that can compete with the large multinational banks and IT companies.

In conjunction with the Eric Edward Roy Fund for Education in Africa, Inc. (EERF), a public foundation formed in the U.S. in 2001, and through the Loita Group's Malawi operation, The Loita Investment Bank, support was first extended to MCV in December, 2002, and more recently to TMT. While somewhat more muted than is to be observed amongst the multinational corporations, the Loita Group has through LIB's participation indicated to the Malawi business community and the community at large its commitment to be a good and responsible corporate citizen.

The EERF's goal is to identify innovative and grassroots projects and programs that are well organized, address the education needs of underserved segments of the population, bring gender parity to education and, demonstrate measurable impact on a cost-effective basis. There are many charitable organizations seeking funds in Malawi and Tanzania. While the majority may be well intended and honest, there are those seeking to attract funds the bulk of which never find their way to actual treatment of the problem. Finally, the EERF seeks long-term partnerships rather than short-term fixes.

It is for these reasons that the MCV and TMT have been supported. The support reflects well on the LIB's corporate citizenship goal, and allows the EERF to bring its international skills not only by meeting current financial needs but also by demonstrating that a relatively small foundation with links to a local business can take on very large problems.

Most multinational firms will not do this; they especially will not get involved without a physical presence and on occasion, for other reasons. At their worst, foreign corporations can be particularly heavy handed as was the case when major multinational corporations in the pharmaceutical industry displayed greed and petulance several years ago over access to AIDS drugs. Placing profitability over humanity they elected to sue South Africa over its decision to purchase low cost AIDS drugs from India.

3.2 For-profit business initiatives with socio-economic consequences: building the technology infrastructure of small banks and micro-finance institutions

In developing country situations, private sector companies can often make a contribution to the community at large by developing products or services that are needed to advance economic growth. Acts of corporate social responsibility are thus not confined to making donations or investing in charitable causes, but can also include for-profit initiatives that earn the company revenue and build economic and social infrastructure.

The Loita Group of Companies acted in this fashion when in 1992, the founders set out to fill the gap in capital availability to African entrepreneurs and innovators. The large and usually foreign-owned multinational banks traditionally only served their triple A customers, i.e., other large multinationals in manufacturing, finance, mining and natural resource exploitation. This usually left those wishing to build businesses and engage in start-up investments without access to the capital needed to fund their ideas and ambitions.

This market segment, those who could create an indigenously private business sector but could not find investment funds, was the primary target of the Loita Group. Loita brought new ideas and instruments enabling the financing of a growing number of African-owned small- and medium-sized enterprises (SMEs). In 1994, it established Fintech, a unit created to provide African nations' banking systems with the latest in platform technology, software and hardware, and, later, software development. Fintech quickly established a strong market for this technology among banks in Kenya, Zimbabwe, Zambia and more recently Malawi and Tanzania. It also provided this further afield, in countries such as Ethiopia and Angola. Fintech relies solely on indigenous African technology talent and its software development capability is considered by many to be the foremost in Africa.

Economic development is highly dependent on a strong, modern banking and finance sector. As automated systems have taken hold in the developed world it was becoming increasingly apparent that African banking systems were falling behind. The small and medium size banks labor under antiquated accounting systems and poor customer services. The large multinational banks have very little interest in meeting the needs of those with small accounts, and increasingly this segment of the market—always underserved—was not being served at all. In addition, international and bi-lateral development assistance agencies, large foundations, and large, multinational corporations were allocating substantial funds to micro-finance institutions (Savings and Credit Cooperatives, known as SACCOS in Africa) as a means of stimulating growth amongst the rural and poor. In many cases, these institutions proved ill suited for this purpose. Millions of dollars have gone unaccounted for and the track record in loan repayments is quite weak. Record keeping, if indeed there are records, is perhaps yet another major weakness. For the most part, it could only be concluded that the SACCOS were not much more than highly ineffective and inefficient welfare distribution networks.

In 1999, the Central Bank of Kenya sought to initiate a project that would bring the newer banking technologies—electronic funds transfer capability, ATM technology, point of sale (POS), and smart card technologies to the smaller financial institution. At that time, the costs involved in acquiring these newer technologies was prohibitive for the smaller banks and other savings and lending institutions. While the large international and local banks could easily adopt such technologies, the smaller institution remained mired in antiquated systems and could not compete.

Fintech was asked to consider the building of a shared switching capacity, in effect, to create a "national switch," which could be affordably accessed by the smaller banking and credit lending institutions. When implemented, over 40 smaller banks could for relatively low costs per transaction serve their customers through ATM and POS technologies, and ultimately, the adoption of smart card systems. Among other advantages, adoption of the national switching capability would:

- Permit the smaller banks to compete with larger institutions by having lower transactions costs;
- Increases in the competitiveness of the small banks would result in the extension of a broader range of modern banking services to a much larger segment of the population than is presently the case;
- Financial institutions that address low-income customer needs (i.e., the SACCOS) can join the switch thereby reducing their overall administrative costs as well as significantly lowering transactions costs. The technology is such that even loans can be dispersed through the switching system; and,
- Remote rural areas can have immediate access via ATMs or phone to all bank transactions, reducing the need to travel long distances for bank services.

The effect of an operable national switch is to bring a much larger portion of economy into the cash economy. It speeds transactions and the accounting of transactions is instantaneous. At present, a personal check deposited in Northern Kenya takes up to 8 weeks to clear the bank. As participation in the national switch requires adoption of the new platform technology, major improvements in record keeping are realized. The software development arm of Fintech concurrently developed a modified platform that is affordable, not only for the smaller banks, but also for the SACCOS that typically have a very high volume of transactions.

The initial development of the national switch in Kenya has led to other countries adoption of the concept. Loita Transaction Services has been engaged to develop a national switch in Zambia, and to participate in a major upgrading of an existing switch in Zimbabwe. LXS is also providing major elements of the national switch technology in Ghana.

The Loita Group, through Fintech, has invested over US$ 4 million in developing the national switch and the software packages needed for modernizing backroom operations in financial institutions. This is pure risk capital that may take years to generate returns at a level that would justify the investment. In the broader sense, a project such as this clearly serves a much larger economic need—to insure that the financial sector in the poorer African countries remains abreast of truly cost saving, efficiency creating technological developments. National switches do not guarantee a greater volume of investment, but it certainly enhances the prospects for it. Importantly, major segments of the finance sector that serve poorer clientele can do so at considerably lower cost.

4.Conclusion

Growth in the practice of corporate social responsibility in Africa is most needed in the indigenous private sector. The CSR strategy of the large multinational company may or may not include those locations in Africa in which it has an investment. If it does, then this is an important contribution for it can serve as a model to local corporations and encourage the broader practice of CSR.

The problem in Africa is that it is only a very few countries that receive any significant foreign investment. Since most foreign corporations that invest abroad tend to confine their CSR actions to plant locations or geographically proscribed market areas, this leaves many countries with the prospect of only nominal support coming from foreign investments.

The growth of the local private sector remains relatively low in many African countries; the rate of growth, however, is higher than it has been. The need is for a CSR ethic, locally defined and constructed within the cultural context prevailing, to evolve. I have cited cases from my own experience that demonstrate that the local business can often take on the much larger issues that are to be found in Africa, both through pursuing an CSR strategy and through contributions to the broader public good by taking investment risks. The private sector is about profit, but as I hope I have demonstrated, “profit” can come in many forms; this is equally true for CSR strategies, whether directly or indirectly linked to corporate business strategies. I have contended that in general, it is better when a CSR strategy takes into account business interests, for in general it means that companies will take corporate responsibility more seriously. This enhances the likelihood that not only funds will be provided, but also much needed management acumen and experience in mobilizing resources for productive purpose.

The African case holds several lessons for other regions and countries. The amount of foreign investment flowing to the People’s

Republic of China (PRC) clearly raises the issue of what, besides employment and business expertise, multinational corporations can or ought to bring by way of CSR action. One issue that is very similar to the African case is the problem of locating CSR programs only within proximity to plant locations. A large majority of the investments in the PRC are located along a narrow strip of land on the China Sea, usually concentrated in major coastal urban centers. As in Africa, this leads to the question of what foreign investors can be expected to do in the hinterland of China that, with exceptions, receives very little investment, domestic or foreign.

A second major question is what Chinese corporations that invest in Africa ought to consider by way of a CSR strategy. Major Indian corporations have adopted such strategies in Africa, for example, the Tata Group. One would expect that PRC-based companies would most likely bring their own interpretation of what the appropriate CSR strategy ought to be. However, it may be no more likely or inclined to take on some of the more pervasive social and economic problems than are foreign investors from other countries.

Finally, the PRC and Africa (as a region) share one thing in common. In the PRC's case, foreign investment is capitalizing on the presence of a substantial cheap labor supply. In the African case, investment flows primarily to the extractive industries thus depleting scarce natural resources at relatively low raw commodity prices. In such situations as these, I argue that the long-term continued presence of such foreign investment depends increasingly upon the social and equity agendas they bring with them. Therefore, as far as a CSR strategy is concerned, the question is less whether the foreign investor must have one, but rather, what community investment issues can and should it address.

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Author Profile

Delwin A. Roy is a Partner in The Loita Group of Companies, a Mauritian corporation operating in Africa. He is the Founding President and Chief Executive Officer Emeritus of The Hitachi Foundation and was Program Advisor, Middle East/Africa Region, Ford Foundation. He was a Fellow, Center for International Affairs, Harvard University (1977) and a Visiting Professor, Stanford Law School (1993). He holds an BS and MBA, Univ. of California, and a Ph.D., Krannert School, Purdue University.