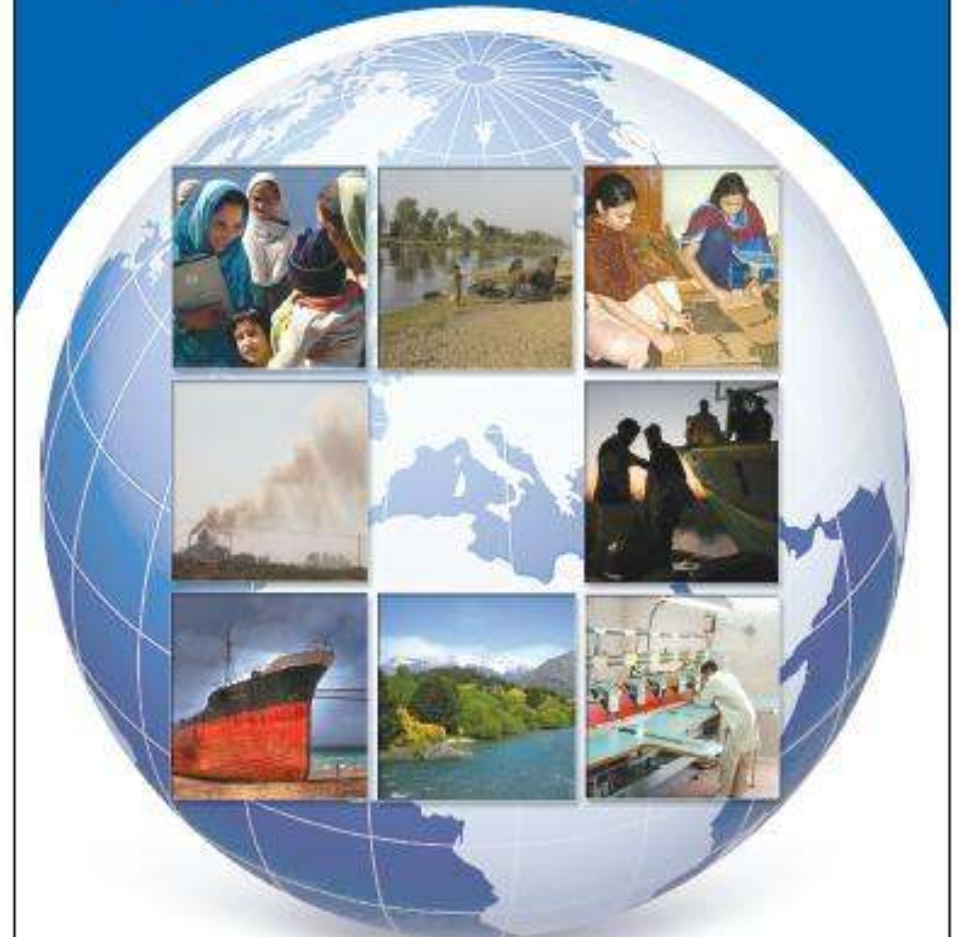


Business Policy Roundtable Social Enterprise – Beyond Philanthropy



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Karachi



Concept Paper¹

Business Policy Roundtable Social Enterprise – Beyond Philanthropy

CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large.

– World Business Council for Sustainable Development (WBCSD)

Charity, Compliance or Responsibility

New legislation² and trade policy³, changing international compliance⁴ requirements, and business-driven social investments⁵ indicate an emerging emphasis on corporate citizenship that reflects society's evolving expectations from business. Terms appearing in the corporate lexicon⁶ indicate a heightened consciousness about social and environmental issues that are important to public sentiment. Yet, even with the diametrical shift in the way businesses conduct themselves, there is scant evidence that a uniform understanding of the term 'good corporate citizen' exists either among companies or their various stakeholders⁷.

In Pakistan, too, with the exception of multinational companies or a handful of local entrepreneurs with vision, many companies are still trying to understand corporate citizenship, and how it can leverage their competitiveness. At the root of this lack of understanding is the somewhat misleading perception that corporate social responsibility (CSR) is interchangeable with charitable giving⁸ or compliance with externally imposed buyer-codes⁹, rather than an embodiment of Islam's mandatory focus on equity and social responsibility¹⁰. To illustrate, Pakistan's growing tradition of corporate philanthropy¹¹ tends to co-exist with irresponsible behaviour manifested in an aversion to accountability, opaque governance mechanisms, tax avoidance, financial misreporting, labour exploitation, poor product integrity, wasteful processes, and disregard for the environment.

To mainstream responsible business principles in corporate policy we must first understand Pakistan's particular corporate responsibility context, determined as much by outside pressures as it is by our own cultural values. It is then that we would be able to determine the most compelling drivers for Pakistani companies to become engaged with their business environment in socially responsive ways. In this context, the recommendations of a nationwide cross-sectoral CSR study commissioned to RBI by the Securities and Exchange Commission of Pakistan in 2005, included below, are pending implementation.

This paper is derived primarily from the national consultation organized by CIPE, to propose a way forward on mainstreaming CSR thinking within national corporate policy and practice. It aims to begin an institutionalized process of dialogue that leads to policy review and strategy development, followed by an evolving plan for implementing specific actions that are matched with incentives or balanced by sanctions.

Pakistani Values, Global Perspective

New terms that reflect society's expectations from business have entered Pakistan's corporate lexicon². This indicates a heightened consciousness about social and environmental issues that are important to public sentiment, but does not essentially reflect a uniform understanding of the term 'good corporate citizen' either among companies or their various stakeholders. The global debate on CSR has led to a diametric shift in the way companies conduct themselves. Yet, with the exception of multinational companies or a handful of local entrepreneurs with vision, a majority of Pakistani companies are still trying to understand corporate citizenship, and how it can leverage their competitiveness.

Regardless of how they articulate their corporate citizenship vision, companies are driven by core ethical values, which are reflected in their business practices. Pakistani enterprises are no exception. Pakistan's relative isolation from worldwide best practices in corporate citizenship may well be the reason why common perceptions of what it means to be a socially responsible enterprise appear to be situated in an earlier era of charity, paternalistic welfare, and individual-driven philanthropy.¹² Having said that, it is safe to say that few Pakistani businesses seem to tie their CSR actions to their overall business strategy or address corporate citizenship holistically in their core decision-making processes. Rarer still are companies who document and disclose social and environmental performance in a comparable or verifiable way.

Dialogue and engagement can create a better understanding of corporate citizenship issues. Only through such understanding will entrepreneurial ingenuity find a way to match worldwide and Pakistani CSR practices. Pakistan's business leaders must take the lead in creating opportunities within the emerging paradigm.

Context, Issues, and the Dialogue Agenda

The above thesis emerges from consultations with key stakeholder representatives¹³ from a cross-section of Pakistan's business-society interface. Stakeholders are unanimous that charity is a manifestation of CSR and generally implies spending on welfare without necessarily linking it to any strategic business interest. Corporate citizenship on the other hand is seen as a set of obligations that a business must discharge to society through 'neighbourly' behaviour that positively impacts the quality of life for host communities, employees, and customers. The two can also be distinguished in terms of motivation. Charity is driven by faith or a feeling of sympathy or affection. Responsibility, in light of regulations and compliance requirements, may be driven by a fear of accountability.

Stakeholder feedback is divided on whether a key driver for companies to espouse the values of corporate citizenship is to build and maintain market advantage and acquire political or social leverage, or an actual concern for society or the environment. However, stakeholders appear unanimous about the values of responsible business, which demand long-term loyalty, empathy, and integrity, in addition to profitability¹⁴. Hence, a manufacturer claiming social and environmental responsibility to pull in a particular kind of customer, a financial service provider reporting on the triple bottom-line because of its value in risk management, or a brand name positioning for market share, are all examples of short-term, self-serving motives that appear to contradict the stakeholder perception of corporate citizenship values¹⁵.

Many entrepreneurs still see CSR as compliance, which they consider an unnecessary overhead irrelevant to the local environment. This stakeholder view resonates with a concern already being voiced in the developed world as "an inverse relationship between immediate economic impact and degree of commitment" to CSR,¹⁶ and the attendant "greenwash" effect¹⁷.

In the dynamic state that CSR is in, there are a number of contextually linked, practical issues in Pakistan that can be addressed only by greater sharing of knowledge and experience across the entire stakeholder spectrum, namely:

- Awareness – correcting a number of erroneous perceptions, spread by often uninformed commentators, about what it means to be a 'good corporate citizen'
- Understanding – building appreciation of the business case for CSR in ways that Pakistani entrepreneurs can employ it to advantage in their context
- Capacity – identifying capacity gaps among companies for becoming socially responsible, and modalities for redressing them
- Resources – estimating the quantum of human, material and technical inputs that would be required by a company to develop a CSR action strategy
- Know-how – marshalling or building specialized skills for implementing key elements of value-led, responsible business in companies at the decision-level
- Rewards – Determining modalities of recognizing CSR and ensuring nationally relevant and internationally acceptable minima for inclusion and exclusion
- Sanctions – Demarcating voluntary limits of what constitutes acceptable business behaviour and mechanisms to remove non-performing companies
- Threats – Mapping potential hazards to Pakistani business in adopting or not mainstreaming corporate responsibility business policy and practice
- Opportunity – Delineating specific prospects for competitive advantage in companies adopting a voluntary CSR program framework

A National CSR Forum

This paper proposes to discuss the establishment of a voluntary and participatory 'caucus of equals' representing all key stakeholders as an immediate outcome of the CIPE roundtable. It would be a national forum with the legitimacy and expertise to address corporate citizenship issues, drawing a balanced membership ideally from representative bodies of business, labour, government, civil society, the media, and expert groups¹⁸. The scope and potential for such a forum to impact CSR policy and practice is enormous.

On the other hand, the absence of a purpose-led forum that can reach out to all with equal legitimacy impedes CSR awareness among local businesses and their key stakeholders. Experience has shown that such a dialogue mechanism provides a useful bridge between disparate bodies that do not routinely engage. Because of previous interest, the proposed forum can leverage a number of already established networks or civil society forums. The proposed forum need not be more than a basic voluntary effort with minimum overheads¹⁹. However, what is essential is that it be led by high-level decision-makers and backed by a strong technical core that can help develop the action agenda.

It is through such a platform that the above issues can find resolution and policy impact, and it is through such an institutional arrangement that linkages and partnerships can evolve into communities of practice and role models. For critics who feel responsible corporate citizenship automatically comes from within, such an open forum can offer experience-sharing and open exchange. Because CSR concepts are bound to have different interpretations in different environments by different stakeholders, such a mechanism would generate richness of discourse and a better understanding of best practices.

Key stakeholders like representative organizations and the media can make this venture successful by communicating factual and current CSR concepts to opinion-leaders and citizens alike.

The government has become increasingly supportive of partnerships with the private sector, which can be leveraged, particularly through the forum's top-level membership, to influence the creation of an enabling milieu for CSR²⁰. Perhaps the most important area of engagement with government relates to the costs of business incurred due to structural handicaps or incentives that apply without triggering non-tariff barriers. With international buyers becoming more watchful of supply chain practices, such a forum would be the logical channel to reach out with a unified, credible message of responsible business. However, the most compelling argument in favour of a CSR forum is to address issues of globally 'responsible competitiveness' within the national context. In the words of Chomsky: "Organization has its effects. It means that you discover that you are not alone. Others have the same thoughts as you do. You can reinforce your thoughts and learn more about what you think and believe."

Recommendations from "An Evaluation of the State of CSR in Pakistan-2005" commission by the Securities and Exchange Commission of Pakistan

RBI RECOMMENDATION	ACTIVITY	LEAD ROLE
Build Strong Conceptual Knowledge	<ul style="list-style-type: none"> - Task force - National Campaign - Private TV channels - Annual CSR Event - Newsletter 	<ul style="list-style-type: none"> - SECP - PICG - RBI
Link CSR to Competitive Advantage	<ul style="list-style-type: none"> - CSR guidelines - Corp. Index Card 	<ul style="list-style-type: none"> - SECP - EFP - RBI
Enhance Effective Stakeholder Involvement	<ul style="list-style-type: none"> - CSR Roundtable - Outreach 	<ul style="list-style-type: none"> - RBI - SECP - NGO Coalition - Industry Forums - Media campaign
Harmonize and Standardize CSR Performance	<ul style="list-style-type: none"> - Industry-specific norms - Develop frameworks - CSR guidelines 	-RBI
Define and Promote Clear Incentives	<ul style="list-style-type: none"> - Tax break - Govt. co-funding - Recognize performers 	-CBR
Promote a Shared Strategic CSR Vision	<ul style="list-style-type: none"> - Enlightened self-interest 	<ul style="list-style-type: none"> - PICG - NGO Coalition - Corporate Reps
Promote "Business" Thinking for CSR Projects	<ul style="list-style-type: none"> - Design need-based programs 	<ul style="list-style-type: none"> -Business - RBI CSR Centre
Seed a Vibrant National CSR Forum	<ul style="list-style-type: none"> - From existing forum 	<ul style="list-style-type: none"> - SECP - CSR Expert
Link Taxes to CSR performance-tax reform		
Review laws and draw together supportive elements		<ul style="list-style-type: none"> - Multi stakeholder Task Force - RBI

Making it Work

This paper seeks a call to action, emanating from the CIPE Business Policy Roundtable: Social Enterprise - Beyond Philanthropy proposed for late 2008. Accompanied by an action agenda and resource plan, it would be aimed at attracting tangible participation from businesses and their stakeholders towards an ongoing dialogue on corporate citizenship and responsible business. In the event of stakeholder support, this dialogue could evolve into a national Responsible Business Forum with the capacity and legitimacy to inform policy for decision-makers. Over the short term, stakeholders could agree on an internationally benchmarked charter. The Forum could then lead initiatives such as a national Responsible Business Pledge to be signed by members, and supplemented by learning and action through a user-friendly Responsible Business Toolkit for companies seeking to embed CSR in their day to day operations. Downstream outputs could include specific training or advisory initiatives designed in response to specific needs recognized through the proceedings of the Responsible Business Forum.

Endnotes

- 1 Concept paper commissioned by the Centre for International Private Enterprise - Pakistan Country Office to inform the proposed Business Policy Roundtable, *Social Enterprise - Beyond Philanthropy*, submitted by Ambreen Waheed, Executive Director of the Responsible Business Initiative, a citizen-sector organization formed in 1998 to enable corporate citizenship within Pakistani businesses. Prepared by Dr. Faiz Shah, RBI Advisor, with notes provided by Mohsin Bashir and Farah Shah, RBI Associates. Feedback from Brooke Mills, Shahida Saleem and Hammad Siddiqui from CIPE is gratefully acknowledged.
- 2 The Securities and Exchange Commission of Pakistan has demonstrated a strong commitment to building CSR into corporate decision-making and disclosure. The Code of Corporate Governance requires all listed companies to report in-company decision-making and accountability in areas such as independent directors and minority stockholder rights. SECP was in the forefront of developing a national SR strategy that awaits finalization. SECP is still deliberating on the possible impact of expanding the scope of its Code to un-listed companies.
- 3 Pakistan's Trade Policy for 2003-4 specifically identified social standards compliance as a priority area. As a result the Independent Pakistan Compliance Initiative was launched with strong support from business leaders and civil society. The Trade Development Authority of Pakistan (TDAP) announced special incentives in 2005 for social and environmental compliance certifications. Despite strong stakeholder support, it has not become fully operational in Pakistan. Similar initiatives in China and India, begun months later, have moved much faster, with another in Bangladesh now on the cards.
- 4 Recent years have seen a global shift towards verifiable social standards along supply-chains. As a result there have been a number of externally monitored initiatives that allow international buyers greater confidence in their remote supply chains through comparable and measurable independent inspection regimes. Notable mention can be made of the SA8000 social accountability standard, the WRAP worldwide responsible apparel production guidelines and the FLA fair labour association guidelines. Others such as the BSCI code or a various buyer-specific terms are also increasingly used.
- 5 Companies, particularly multinationals are beginning to align their social investments with globally recognized needs, particularly evident from the expanding acceptance of the United Nations Global Compact and the CSR Partnership framework of the World Economic Forum Global Corporate Citizenship Initiative.
- 6 Company communication in Pakistan increasingly, and often interchangeably, refers to CSR, corporate citizenship, corporate social responsibility, socially responsible business, corporate social investment, ethical business, sustainability, or responsible business practice. This indicates a heightened consciousness about social and environmental issues that are important to public sentiment, but does not essentially reflect a uniform understanding of the term 'good corporate citizen' either among companies or their various stakeholders.

- 7 A uniformly agreed definition of "Corporate Social Responsibility" or "Corporate Citizenship" is still sought, even as a number of good working definitions are in use within their respective contexts. Recent studies in support this view include De George (2006), Blowfield and Frynas (2005), and Longo et al. (2005), are quoted by S. Jaseem Ahmed, (2005) in his paper on CSR in Pakistan.
- 8 The Pakistan Centre for Philanthropy (PCP) mapped the country's private giving at Rs. 70 billion in 1998, of which Rs. 30 billion was in cash. PCP literature cites Pakistanis among the world's six most philanthropic cultures, giving away five times more than they received in foreign assistance in terms of per capita GDP.
- 9 Social Accountability International lists Pakistan among the six countries having the highest number of SA8000 certified businesses in the world. SA8000 is a certifiable standard to demonstrate compliance on labour and management standards.
- 10 Faith-based approaches generally place a premium on charity and care for the under-privileged. Islam's emphasis on equity and individual responsibility too, is reflected in its core precepts. It decrees wealth distribution (Zakat) as one of five essential elements of faith, and makes rights-based social responsibility (Huqooq ul-Ibaad) part of its creed. Under the system of Zakat - meaning 'purification of wealth' - every Muslim is to contribute a fixed percentage to community well-being. Likewise, the concept of Huqooq ul-Ibaad - meaning 'duty towards humanity' - sees safeguarding human rights, doing no harm and 'working to improve others' quality of life, as an individual and collective responsibility for every Muslim.
- 11 A 2005 report by the Pakistan Centre for Philanthropy (PCP) on 500 listed companies shows a near-doubling of corporate giving between 2000 to 2003, from Rs. 227 million to Rs. 496 million, with each company giving a crore (10 million) Rupees to charity on the average. Unlisted private businesses are not included in the study.
- 12 According to the European Observatory of SMEs, implementation of CSR is often occasional, and not tied to business strategy. It is typically not part of the core decision-making process at senior levels in Pakistan.
- 13 CIPE organized two focus group meetings, in Lahore on 29th March and Karachi on 29th April 2006, facilitated by RBI and attended by the top tier from government apex bodies, leading multinational and national corporations, service sector companies, trade and labour associations, professional institutions, the media, and civil society organizations. Feedback from these stakeholders informs this paper.
- 14 Responsible Business Initiative bases its enabling approach with corporate partners on the "6 Pillars of CSR" comprising 1) good governance, 2) policies & practice, 3) compliance & disclosure, 4) stakeholder involvement, 5) consumer focus, and 6) financial viability.

- 15 Because of this gap in understating, a number of entrepreneurs feel they can evade compliance-related scrutiny by defining their own standards of responsible behavior and report against them to buyers. Such initiatives are unlikely to attain enough legitimacy, which would make the whole effort redundant in terms of corporate image-building!
- 16 Steven MacGregor of the European Union's RESPONSE (Responsible and Sustainable Innovation) Project, which researches? "mainstream CSR practices in European SMEs", points out that, "...many companies may only engage in short-term socially responsible practice to guard against risks, reaping the short-term economic benefits, say, in an environmentally-pressured project. Yet we must not criticize such approaches, but argue that the real value is in long-term implementation tied to core value creation in the enterprise. Doing something rather than nothing should be applauded and encouraged."
- 17 Greenwash is "disinformation disseminated by an organization so as to present an environmentally responsible public image" (Concise Oxford English Dictionary-10th edition). The term was coined by environmentalist Jay Westerveld in 1986, in an essay on the hotel industry's campaign promoting reuse of guest-towels, whose actual objective was said to be profit increase and not environmental impact reduction.
- 18 The OICCI has a member base of 170 MNCs and blue-chip companies, SECP has 650 listed companies, and the country's 152 chambers and trade associations have over 300,000 members.
- 19 A number of similar efforts have been launched successfully by business, including the Sialkot Partnership Against Child Labour in 1996, GTZ-AVE National Business Standards Roundtable in 2005-6, the UN Global Compact Pakistan Network Business Talk CSR in 2007. A more recent successful example is the South Asian Forum for Responsible Business where the secretariat is strong enough to support the dialogue group. Others, like the Independent Monitoring Agency for Child Labour and the Pakistan Compliance Initiative, met with limited success.
- 20 The Government of Pakistan has declared its intent to subsidize social accountability standard certification for companies, similar to an earlier initiative to encourage ISO9000 certification. The recently launched Competitiveness Support Fund also provides grant support for technical expertise.

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Business Policy Roundtable
Social Enterprise – Beyond Philanthropy





The Center for International Private Enterprise (CIPE) is a non-profit affiliate of the US Chamber of Commerce and one of the four core institutes of the National Endowment for Democracy. CIPE has supported more than 1,000 local initiatives in 100 developing countries, involving the private sector in policy advocacy and institutional reform, improving governance, and building understanding of market-based democratic systems. CIPE programs are also supported through the United States Agency for International Development.

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Business Policy Roundtable

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August 7, 2008, Karachi Sheraton

PROGRAM

- 10:00 a.m. Networking and Tea
- 10:30 Recitation from Holy Quran
- 10:32 Welcome by Moin M Fudda, Country Director,
CIPE-Pakistan
- 10:40 Address by Gregori Lebedev, Chairman,
CIPE-Washington
- 10:55 Social Enterprise – Beyond Philanthropy –
A paper by Ambreen Waheed, Executive Director,
Responsible Business Initiative (RBI)
- 11:15 OICCT's CSR Vision by Waqar Malik,
President, Overseas Investors
Chamber of Commerce and Industry
- 11:35 Corporate Citizenship – a case study by Abrar Hasan,
CEO, National Foods Ltd
- 11:55 Investing in Social Enterprise Development by
Aun Rehman, Country Director, Acumen Fund
- 12:05 p.m. Discussions - Recommendations and Conclusion
followed by Lunch