Corporate Social Responsibility in the Promotion of Social Development

EXPERIENCES FROM ASIA AND LATIN AMERICA

Edited by MANUEL E. CONTRERAS

INTER-AMERICAN DEVELOPMENT BANK

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The views and opinions expressed in this publication are those of the authors and do not necessarily reflect the official position of the Inter-American Development Bank.

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Preface

This book is the result of the papers presented at the workshop on *Corporate Social Responsibility in the Promotion of Social Development: Experiences from Latin America and Asia* that took place in Tokyo and Okinawa from July 12 to 16, 2004. The workshop was organized by the Social Development Institute (INDES) in partnership with the Japan Program of the Inter-American Development Bank (IDB), and benefited from the collaboration of the IDB Office in Japan and financial support of the Government of Japan.

It is the last of a series of books developed by INDES that seek to document, contrast, and compare experiences in these two continents. As both a training institute and a forum for the exchange of experiences, pertinent practices, and ideas, INDES presents this book to both practitioners and the academic community in an effort to contribute to the better understanding of Latin America and East Asia, and to the enquiry into Corporate Social Responsibility (CSR) and its impact on social development.

The previous books dealt with social issues such as education, health, poverty, decentralization, and gender—areas more akin to the work of INDES. In this last contribution, we want to explore the potential that private corporations have in fostering development. We seek to contribute to the growing literature on CSR, in a yet relatively under-explored area: its effect on communities. We do so in line with the IDB's recent and vigorous work in CSR and under the umbrella of our understanding of social development.

IDB and INDES conceive "social development" as the multidimensional process that leads to sustainable improvements in the well-being of individuals, families, communities, and society as a whole, in a context of justice and equity. It is a path that includes economic growth, improved competitiveness in the globalized economy, environmental sustainability, sustainable improvements in living conditions, reduction of poverty and inequality, and the development of human and social capital. The impact of the CSR approach on communities is most relevant to INDES' objectives and more so in the current context, when the role of business in, for example, achieving the Millennium Development Goals, is being widely discussed. Multilateral agencies and development cooperation agencies are exploring the role they should play in CSR and it appears that poverty is, finally, on the business agenda.

The workshop on *Corporate Social Responsibility in the Promotion of Social Development* sought to address: how CSR developed in Latin America and East Asia; how corporations are addressing not only their own basic and strategic needs, but also the overall needs of the society, in particular those of the local communities; which forms of CSR interventions have been applied for promoting community development in Latin America and East Asia; how social development has been enhanced by CSR; how community organizations have participated in economic development, community development, social service delivery, public policy dialogues, and the decision-making processes through CSR interventions; what obstacles and opportunities hinder and help communities participate in these activities and contribute more fully to social development; what kind of partnerships can be developed between corporations, government, and communities in the context of CSR; and what kind of partnerships can be developed between corporations, governments, NGOs, and civil society.

The main objectives of the workshop were to synthesize and analyze the development of CSR in Latin America and East Asia and its effect on community development in these regions, and to open opportunities for the exchange of experiences and for networking among researchers and practitioners from Latin America and East Asia. I am pleased to report that these goals were amply met.

I trust the reflections contained in this book and the partial answers it offers to the questions raised above will contribute to further research in this new area. I hope this book will be widely circulated and will be useful to all those in corporations, the public sector, non-profits and academia, who are interested in how best to incorporate the contribution of private corporations in community development.

Nohra Rey de Marulanda
Director, INDES

序文

本書は 2004 年 7 月 12 日から 16 日まで東京と沖縄で開催されたワークショップ「社会開発の促進における企業の社会的責任：ラテンアメリカとアジアの経験」で発表されたレポートに基づいて編纂されました。このワークショップは、米州開発銀行（IDB）社会開発研究所（INDES）が、日本政府からの資金援助と IDBの在日事務所の支援を得て、IDB ジャパンプログラムとの協力で開催されたものです。

本書は、アジアと南米両大陸の経験を記録、対照、比較することを目的にINDES が編纂したシリーズの最終巻です。教育機関であるとともに経験や関連する活動、アイデアなどの交流の場でもある INDES は、ラテンアメリカと東アジアの理解を深め、企業の社会責任（CSR）とその社会開発への影響の研究に貢献するために、本書を専門の活動家と学界に提供する考えです。

本書に先立ち出版された書籍では、教育、医療保健、貧困、集中排除、およびジェンダーといった社会問題、つまり INDES の活動により関係の深い分野が取り扱われています。このシリーズ最終巻では、開発の促進における民間企業の可能性を探りたいと考えています。CSR に関する文献の数は増えつつありますが、私たちは CSR の分野で比較的探究が進んでいない、コミュニティへの影響という領域に貢献しようというのが目的です。これを CSR に関する IDB の最近の活発な活動に合わせながら、私たちの社会開発への理解をもとに行ないたいと思います。

IDB と INDES は「社会開発」を公正と平等という背景のなかで、個人、家族、コミュニティ、社会全体の福祉の持続的改善に導く多面的プロセスであると考えています。それは経済成長、グローバル経済における競争力の改善、環境持続性、生活水準の持続的な改善、貧困と不平等の緩和、人的資本と社会的資本の開発へ

と向かう道です。CSR の取組みによるコミュニティへの影響は INDES の目的に最も関連しており、またミレニアム開発目標の達成における企業の役割が広く討議されている現在においては、その関連性はさらに高いと言えます。各国の政府機関や開発協力機関は CSR で担うべき自らの役割を探求しており、ようやく貧困の問題が企業の重要課題として取り上げられて来たようです。

ワークショップ「社会開発における企業の社会的責任」は次の課題に取り組みました。即ち、CSR はラテンアメリカと東アジアでどのように進められてきたか、企業は自らの基本的・戦略的ニーズだけでなく、社会全体、特に地元のコミュニティのニーズとどのように取り組んでいるか、ラテンアメリカと東アジアのコミュニティ開発促進にどのような形で CSR の介入的支援が行なわれているか、社会開発が CSR によってどのように促進されてきたか、CSR を通じコミュニティ機関が経済発展、コミュニティ開発、社会奉仕の提供、公共政策対話、および意思決定プロセスにどのように参加してきたか、コミュニティのこれらの活動への関与や、社会開発へのより大きな貢献は、どのような障害によって阻止され、どのような機会によって助けられたのか、CSR との関係において企業、政府、コミュニティの間でどのようなタイプのパートナーシップを構築することができるか、そして、企業、政府、NGO、および市民社会の間でどのようなタイプのパートナーシップを構築することができるか、といった諸点です。

ワークショップの主な目標は、ラテンアメリカと東アジアにおける CSR の発展と同地域におけるのコミュニティ開発に与えるそれらの影響を総合・分析することと、ラテンアメリカと東アジアの研究者や活動家のために経験の交流とネットワーク作りの機会を広げることでした。喜ばしいことにこれらの目標は十分達せられました。私は、本書に収録した論考や前出の疑問に対する部分的な回答が、この新分野の研究を促進するのに役立つと信じています。また本書が広く配付され、民間企業の貢献をコミュニティ開発に組み入れるための最良の方法について

関心を持つ企業、公共セクター、非営利組織、および学界のあらゆる人々のために役立つことを望んでいます。

米州開発銀行社会開発研究所（INDES）
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Introduction

By Manuel E. Contreras

The practice of Corporate Social Responsibility (CSR) among private corporations is spreading worldwide. Moreover, the extent of CSR activities has increased significantly in the last decade (1995-2004) and is likely to augment even further in the coming years. Indeed, in a recent review, Grayson and Hodges (2004: 9) state that CSR has moved from the margins to "the mainstream of business practices." So, as CSR becomes more widespread, the effect it has on communities and the role it can play in social development in the developing world is worth exploring. This is the objective of this book, which first reviews the overall situation of CSR and community development in East Asia and Latin America, and then draws on concrete experiences in each region. We present cases from Indonesia, the Philippines, Thailand, Singapore, Chile, Brazil, Mexico, and Venezuela. This book also provides brief experiences from two large Japanese corporations, NEC and Ricoh, and a summary of relevant experiences from small and medium-size enterprises in Japan.

The are many reasons for the proliferation of CSR and these have been amply detailed in the literature. One main approach concentrates on the wide array of political, economic, social, technological and environmental changes or triggers that serve as catalysts for corporations to review the opportunities and threats of the market, and modify their corporate strategies accordingly (Grayson and Hodges 2004). While many triggers have been identified, the main one seems to be the need for the corporation to *decrease or buffer the perceived threat to its normal operation.* In the context of the developing world, this approach would seem to be an oversimplification, in part because the regular context is often relatively unstable to begin with. Social development is widely perceived to be an overwhelming task and corporations sometimes simply want to contribute their share; in many cases the communities themselves call in corporations to do what the state cannot cope with on its own. Recently, some researchers have argued that the three widely held assumptions under which business should become more involved in poverty alleviation ("poverty is bad for business;" "business can be good for the poor;" and "commercial benefits

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can result from pro-poor business strategies") can be tested and a case can be made for bridging the gap between business and poverty in a pragmatic way. They conclude that "poverty is now on the agenda for business" (Forstater, MacDonald and Raybard 2002: 128-130). No doubt there is a wide range of reasons for CSR development and these are associated with specific country contexts and the types of interventions that are best suitable for corporations, society at large and governments.

However, CSR efforts and initiatives need not and must not only come from corporations. Governments at all levels, non-governmental organizations (NGOs) and society play key roles (Vives and Peinado-Vara 2003). As the economy becomes more globalized and there is greater private investment in Latin America and East Asia, corporations will play an even more important role as significant stakeholders in development. At the same time, governments and their regulatory agencies are calling on corporations to help address issues of education, health, environment and other social matters. As organized community groups and NGOs develop a higher degree of scrutiny and have greater access to media to address their needs, they are placing more pressure on corporations. Thus, we can expect greater interaction between corporations and their surrounding communities; this will demand a great degree of inter-sectorial and multi-actor cooperation, as the cases in this book well illustrate. Indeed, this is particularly relevant when there is wide-scale "recognition in the UN system, and increasingly, beyond it, that governments will not be able to address the development challenges alone … Therefore, alliances between governments and non-state actors, including the private sector, are crucial" (Fox and Prescott 2004: 2).

Much of the study of CSR has focused on corporate behavior and typically has addressed internal issues such as personnel conditions and ethics within the corporation. CSR has also focused on external issues such as the effect of corporations on the environment and on local communities. Given INDES' concentration on the public realm and because the effect of CSR on communities is one of the least studied aspects of CSR, this book concentrates on CSR interventions on social issues and their effects on communities. Because CSR is highly pertinent to both communities and to corporations themselves, INDES is concerned with how CSR activities can affect social development.

The approach taken corresponds to the Inter-American Development Bank's conceptualization of CSR as the "corporation's consideration and incorporation of a number of social and ethical responsibilities beyond the traditional lines of business, in its corporate strategy and decision-making process." Through CSR, corporations are:

❶ Developing a concern for quality of life in the surrounding community;

❷ Building alliances and successful partnerships with key stakeholders;

❸ Creating value not only for their shareholders but also for all their stakeholders.

In sum, the "goals of CSR are to promote enhancement of the quality of life of the communities: Development" (Vives and Heinecke 2003).

The focus of the book is on the results, rather than on the process to this end, that is, not on the policies and modus operandi of corporations themselves but rather on the effect of CSR on communities and the policy environment that enabled such developments. This is a shift from most publications on CSR, which are generally focused on establishing corporate programs and their implementation.

Clearly, CSR is not a means to implement social policy, but it has effects on social development. CSR cannot and should not replace action by government. Susan Aaronson, Senior Fellow at The National Policy Association in Washington, D.C., at The Americas Conference on Social Corporate Responsibility in 2002, said:

> GE brings good things to life, but it cannot end poverty. Archer Daniels Midland may claim it's the supermarket to the world, but it cannot ensure that no child goes hungry. Dupont may provide better living conditions through chemicals, but it can't ensure safe drinking water worldwide … [T]hat is the role of governments (Heinecke, 2002: 38).

What the case studies in this book show are that CSR amounts to small-scale social development interventions and is exceedingly case-specific and country-specific, depending on development patterns, the history and role of philanthropy, the strength of civil society and culture. This is reiterated from the perspective of a multinational (NEC), which has a series of CSR interventions in a variety of different countries in chapter 6. In chapter 8, Kawaguchi, writing from the viewpoint of small and medium-size enterprises in Japan, highlights the importance for Japan of developing CSR practices pertinent to its own culture.

Many of the nuances of the development of CSR in both East Asia and Latin America are covered in chapters 1 and 9. In the overview for East Asia (chapter 1), Joaquin González argues that the existing CSR culture in Asian business derives from spiritual and philosophical underpinnings, and that wealth accumulation and a profitable and competitive business environment are preconditions to initiate CSR; but he also stresses that CSR requires a legal framework that promotes openness, partnerships and democratiza-

tion. In the case of Latin America, the overview by Roberto Gutierrez and Audra Jones in chapter 9 highlights that while altruism and solidarity did play a role in the development of CSR, utilitarian motives (reduce risk and gain competitive advantage) and a strategic conception of philanthropy are starting to play a more prominent role. Contrasting the Latin American and U.S. experiences, they posit that responsible business operations drove CSR in the U.S.—where there is a strong and well-developed regulatory environment—while in Latin America the emphasis was on community investment. Yet, despite the contradictory and anecdotal evidence still predominant in Latin America on CSR, interventions have been weak and unevenly distributed among the different countries, "with very few companies adopting a formal corporate social responsibility agenda that ensures healthy working conditions and livable communities" (Peinado-Vara, 2004: 7).

In this brief introduction I want to emphasize three aspects that derive from the case studies: the importance and role of NGOs in CSR interventions at the community level; the effects of such interventions on the communities; and the role of multinational corporations.

NGOs proved to be vital partners of corporations in Indonesia, the Philippines, Thailand, Chile, and Brazil. In all cases, NGOs provided their expertise in community development and the ability to work with multiple stakeholders in a multidisciplinary fashion. Working with corporations was not always easy, as it required that both NGOs and corporations overcome the ignorance and distrust they had of each other. However, as soon as the NGOs could demonstrate their expertise, they gained credibility and productive relationships developed. NGOs also had to come to understand why corporations were interested in CSR and learn how to work with them. In some cases (Thailand and Indonesia), CSR interventions were initiatives from NGOs. In Thailand, a large local NGO had strong, top-level connections with Nike. In Chile, it was the corporation that sought out an NGO. The chapter on Brazil describes a consortium of over 900 NGOs collaborating with a banking federation to undertake an ambitious project to provide water to northeastern Brazil under the umbrella of a major government social policy initiative. Similarly, corporations such as NEC and Ricoh highlight the importance of NGOs in their implementation of CSR initiatives.

NGOs seem to have carved a niche as interfaces or implementers between the corporations and communities; but how else can corporations interact with communities? In chapter 3, Francisco Magno discusses how the development of CSR in the Philippines was a product of strong civil society advocacy and a weak state. In this framework, he argues that in response to the social unrest of the sixties and seventies, the Philippine

business community took a proactive approach and set up the Philippine Business for Social Progress.

Among further options, foundations permit company resources to be used to develop a specialized unit (with the pertinent technical, managerial and organizational skills) to pursue the corporation's CSR initiatives. As highlighted by Gutiérrez and Jones in the overview of Latin America, foundations also serve as intermediaries, but provide a "brand name" specific to the corporation. This book shows the role that foundations can play: for example, in Venezuela a family foundation was set up to pursue CSR for the family owned business; or in Mexico, where a mining company has developed its own unit to pursue comprehensive development alliances in the communities where it has its mines. It is interesting to note that it is in these two cases that the authors highlight the difficulty of carrying out CSR interventions in a community culture dominated by an undercurrent of paternalistic relationships between enterprises and the community. They both highlight the importance of having an exit strategy with a component that allows the corporation to turn the project over to the beneficiary community. This is crucial for the sustainability of the intervention and is well demonstrated in the case of Venezuela, where the Papyrus Foundation underwent a programmed change from being a program promoter to a strategic partner.

All cases report community strengthening. In most cases, communities were organized for the first time or new organizations were created. In the Philippines, agricultural cooperatives were an outcome of the CSR intervention and the intervention itself formed a new organization with existing community and local organizations. Similarly, communities were strengthened by an increase in empowering participation by women, who acquired new skills through training in Thailand, or by CSR interventions that resulted in greater self-esteem and leadership in Venezuela and Chile. And when CSR activities ceased, the community organization was active in new initiatives. The case of Chile is illustrative of the organization of local neighborhood associations that went on to pursue other important communal projects.

The chapters on Chile by Ximena Abogabir, Indonesia by Adi Sasongko and Thailand by Wolfgang Frank explore the roles of multinationals. They analyze experiences by Shell, Pfizer and Nike, respectively. All are very well-established companies that engaged in CSR at the corporate headquarters level for various reasons. Pfizer seems to engage in stakeholder mapping and has identified patients, customers and communities as some of the key stakeholders; pressure from NGOs and the media forced Shell and Nike to review their CSR policies: Shell, for environmental degradation; and Nike, for poor labor conditions in suppliers' practices (Grayson and Hodges, 2004). The cases presented in this book illustrate in part how

their interventions reflect the corporate values they are seeking to uphold: serving school children and the wider community (Pfizer in Indonesia); and providing safe employment and encouraging local entrepreneurship (Nike in Thailand). The example of Shell in Chile is not directly related to environmental degradation by Shell (which has no exploration activities in Chile), but still addresses environmental issues in urban areas. The Chilean case also highlights how policies from headquarters have to be implemented by country offices, many times placing country offices in difficulties because they may have no experience in pursuing CSR; subsidiaries might operate in an organizational or country culture adverse to CSR. Each of these three cases to a large extent reflects what has been argued for Latin America: heavy pressures from multinational headquarters and NGOs in CSR initiatives derive in an absence of local ownership (Peinado-Vara 2004). The cases presented in this book do, however, highlight the importance of NGOs as intermediary institutions for corporations to reach out to communities, and the key role of NGOs in providing expertise and complementing the roles of corporations and communities.

From the discussions of the *Workshop on Corporate Social Responsibility in the Promotion of Social Development* sessions the following arise as strategic elements for CSR-Community interventions:

○ Alliances among different stakeholders are key. Corporations and communities are not the sole stakeholders and, as the cases show, government (at various levels) is also an important stakeholder. For such alliances to be feasible, it is necessary to develop an understanding and acceptance of the different perspectives of each stakeholder.

○ Benefits to participating parties must very clear, particularly with regard to expectations among all participants, especially communities. This is key in places where a paternalistic culture is prevalent.

○ Communities must understand that corporations are not the sole actor involved in problem solving. Corporations should strive to make this clear at the outset and there must be a balance of power and burden sharing. Better understanding of points of intervention and an adequate dissemination of progress are crucial. Evaluation of CSR interventions should be part of this dissemination of information to all stakeholders.[1]

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[1] In the case studies analyzed, it is significant that only those presented by corporations (Japan and Mexico) stress the importance of monitoring and evaluation mechanisms.

○ An entry as well as an exit strategy is important in order to attain greater sustainability of the intervention and development.

○ Government does play a critical role, not only at the central level and in the policy arena, but also at the local level and as an implementing partner and key actor.

Where Do We Go From Here?

As pointed out earlier, the area of CSR and community development is the least explored area in the growing field of CSR and this book seeks to make a contribution in that direction, on the premise that CSR will play a greater role than it has so far in the social development of developing countries. Having said that, the caveat is that despite the importance of the CSR interventions, they are small-scale, with very specific and limited effects on the communities they affect. As Gonzalez argues, there is no relationship between CSR and social development in Asia, and CSR is by no means a panacea.

As Gutierrez and Jones contend, we also need a greater understanding of CSR management, outcome measurement and impact evaluation. The key issues in management training—at the core of INDES activities—are how public managers in the public sector can creatively utilize the potential that CSR offers. From that perspective, this book provides a synthesis of the development of CSR, as well as cases with pertinent experiences that hopefully will illustrate how they can enter this new and promising realm of activities with the private sector.

From the policy level, more work is necessary to understand the role the public sector can play in strengthening CSR. How will the public sector engage with CSR? Will it play a the role of: *mandating*, defining minimum standards for business activity; *facilitating*, enabling or providing incentives for corporations to engage in CSR activities; *partnering*, where the public sector can act as participant, convener or facilitator; or finally, *endorsing*, by providing political support and public endorsement (Fox, Ward, and Howard 2002). And, within each of these roles, what are the challenges that public managers face in working to make CSR an ally of their efforts to reduce poverty and inequality? This book specifically seeks to contribute to this final question.

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序章
マニュエル・E・コントレラス

民間企業の社会的責任（CSR）活動が世界各地に広がりつつある。さらに、CSR
の範囲は過去 10 年（1995－2004）に著しく拡大しており、今後さらに広がるこ
とが予想される。その点についてはグレイソンとホッジスが最近の論説（2004：
9）で、企業の周辺的な活動であった CSR は「企業活動の中心」へと移行したと
述べている。このように CSR はさらに拡大すると思われるため、CSR のコミュ
ニティへの影響や開発途上国の社会開発における役割を探ることは、十分に価値
あるものと見なしてよかろう。これが本書の目的であり、まず東アジアとラテン
アメリカにおける CSR とコミュニティ開発の全体像を把握し、それから各地域
の具体的な経験を引き出している。ここではインドネシア、フィリピン、タイ、
シンガポール、チリ、ブラジル、メキシコ、およびベネズエラの事例を紹介して
いる。また、本書は日本の大手企業 NEC とリコー2 社の経験と日本の中小企業
の関連した経験について簡単に記述を含んでいる。

CSR が拡大する理由は数多くあり、それらは様々な文献で十分詳しく説明され
ている。CSR の中心的アプローチのひとつは、政治、経済、社会、技術、環境
各面での多様な変化や、企業が市場の機会や脅威を見直し、しかるべく自社の企
業戦略を変更するための触媒となる要因にそうした文献は焦点を合わせている
（Grayson and Hodges 2004）。これまで多くの要因が特定されているが、主なも
ののひとつは、企業の「通常業務への予測される脅威の削減や緩和」の必要性で
あると思われる。開発途上国ではそもそも通常の状態でも比較的不安定であるた
め、このアプローチは余りにも単純すぎるように思える。多くの人々が社会開発
はとてつもない大仕事と考えており、企業は自己の分担分だけの貢献を望む場合
がある。国では対処できないことを企業が行なうようコミュニティから助けを求
めている場合が多い。最近数人の研究者が、企業が貧困緩和への関与を増すべき
であるという考えを支える広く受け入れられている三つの仮説（「貧困は企業に

とってマイナス」「企業は貧困層にとってプラスとなり得る」「貧困層を考慮した企業戦略により商業利益が得られる」）は検証が可能で、企業と貧困層との間を実利的につなぐ架け橋の事例となると主張し、「貧困は企業の課題である」と結論づけている (Forstater, MacDonald and Raybard 2002: 128-130)。CSR の発展の理由は幅広くあり、それらが特定の国の状況や企業、一般社会、政府に最も適した介入的援助の方法に関連していることに疑いの余地はない。

しかし、企業が CSR の活動とイニシャチブをすべて行なう必要はないし、またそうであってはならない。あらゆるレベルの行政機関、NGO、一般社会も重要な役割を担っている（Vives and Peinado-Vara 2003）。経済のグローバル化が進み、ラテンアメリカと東アジアにさらに多くの民間投資が行なわれるに従い、企業は開発の重要なステークホルダー（利害関係者）としてさらに重要な役割を果たすようになる。同時に政府や規制官庁は企業に教育、保健医療、環境問題や、その他の社会問題に取り組むよう要請している。コミュニティ組織や NGO は、より厳格な基準を作り、彼らのニーズを伝えるマスメディアへの広いアクセスを有しながら、企業により大きな圧力をかけている。従って企業とそれを取り巻くコミュニティとの間の相互関係がさらに活発となることが予測される。そして本書で取り上げた事例が明らかに示すように、このことはセクター間や複数の主体間の協力を大いに必要とするであろう。「政府は開発の問題を単独では扱えないであろう…従って、政府と民間セクターをはじめとする非国家主体との協力関係は極めて重要である」（Fox and Prescott:2004 2）という認識が国連組織内だけでなく外部でもますます高まっているため、実に現状に即しているといえる。

CSR 研究のほとんどは企業行動に焦点をあてており、だいたいは人事問題や企業内倫理に取組んでいる。また CSR は企業の環境や地元コミュニティへの影響など外部的な問題も取り扱っている。INDES の重点が公共分野に置かれ、CSR のコミュニティへの影響が CSR の研究のなかで最も遅れている領域であることから、本書は社会問題への CSR の介入的援助とそれが与えるコミュニティへの

影響に焦点をあてている。CSR はコミュニティと企業そのものに深く関係するため、INDES は CSR 活動が社会開発にどう影響するかについて関心を寄せている。

ここで取られるアプローチは、米州開発銀行の CSR の概念に対応している。その概念とは、CSR は「企業が伝統的な境界線を超え、多くの社会的・倫理的責任を意思決定過程で考慮し企業戦略に組み入れること」である。具体的には CSR を通し企業は次のことを行う。

1. 周辺コミュニティの生活の質への配慮を深める。

2. 主要なステークホールダーとの協力関係や成果あるパートナーシップを構築する。

3. 株主のためだけでなく全てのステークホールダのための価値を創造する。
つまり、「CSR の目標はコミュニティの生活の質の向上を促進すること：開発」である（Vives and Heinecke 2003）。

そのために本書では過程よりもむしろ結果に焦点を合わせている。つまり、政策や各企業の事業の仕方ではなく、むしろ CSR が与えるコミュニティやそのような開発を可能にさせる政策環境への影響に重点を置いた。CSR に関する出版物にはだいたい企業のプログラムの策定と実施を中心としたものが多いが、本書はそれらとは一線を画すものである。

明らかに、CSR は社会政策を実施するための手段ではないが、社会開発に効果がある。CSR は政府の行為を取って代わって行なうことはできないし、またすべきではない。ワシントン DC の全米政策協会（National Policy Association）の上級研究者スーザン・アーロンソン氏は、2002 年に開催された「企業の社会的責任に関する南北アメリカ会議」において、「GE 社はわたしたちの生活に有益なものをもたらしますが、貧困を終わらせることはできません。アーチャー・ダニエル・ミッドランド社は、自らを世界に供給するスーパーマーケットと主張するかもしれませんが、子供を一人も飢えさせないとは保証できません。デュポン

社は化学薬品で生活水準を向上するかもしれませんが、世界に対し安全な水を供給することは保証できません…それらは政府の仕事なのです」と語っている (Heinecke、2002: 38)。

本書で取り上げたケーススタディが示すのは、CSR は小規模の社会開発援助へと発展するもので、その開発パターン、フィランソロピーの歴史と役割、市民社会の充実度や、文化などによって、極めて事例特有、国特有別であるということである。これは第 6 章に示された、一連の CSR の介入的援助を様々な国々で実施している多国籍企業（NEC 社）の認識を反復するものである。同じ章の中で、日本の中小企業の視点から記述している川口氏は、日本にとって、日本の文化につながる CSR 活動を進めることが重要であるという点を強調している。

東アジアとラテンアメリカ両地域の CSR の発展の微妙な違いの多くは第一章と第七章で取り上げられている。東アジアの概要（第一章）で、ジョアクィン・ゴンザレス氏は、アジアの企業に従来からある CSR 文化は精神的・哲学的土台に基づくものであり、富の蓄積と実益と競争のある企業環境は CSR 活動を始めるための前提条件であると主張している。しかし、氏は CSR は開放性、パートナーシップ、民主化などを促すための法的な枠組みを必要としていることも強調している。

ラテンアメリカの場合、第七章の概要でロベルト・グティエレズ氏とオードラ・ジョーンズ氏は、利他主義と連帯が CSR の開発に貢献したきたが、功利主義的動機（リスクを減らし、競争上の優位性を獲得する）と、フィランソロピーの戦略的考え方がさらに重要な役割を果たし始めたことを強調している。ラテンアメリカと米国の経験を対比し、規制環境が堅実で十分整備されている米国では、責任ある事業運営によって CSR が促進されたが、ラテンアメリカではコミュニティ投資に重点が置かれていたと結論づけている。

しかし、ラテンアメリカで CSR に関する相反する事例的証拠が顕著であると言っても、CSR の介入的援助の度合いは低く、その実施は各国によってまちまちであり「健全な労働環境と住みよいコミュニティを保証する正規の企業の社会的責任の基本方針に従っている企業はほとんどない。」（Peinado-Vara, 2004: 7）。

この短い序章で、ケーススタディーから得られた三つの点を強調したい。それらはコミュニティレベルの CSR の介入的援助における NGO の役割とその重要性、そのような介入がもたらすコミュニティへの影響、および多国籍企業の役割である。

インドネシア、フィリピン、タイ、チリ、およびブラジルにおいて NGO は企業にとって不可欠のパートナーであることが証明されている。あらゆるケースにおいて、NGO はコミュニティ開発の専門能力と、複数のステークホルダーと分野横断的に協力する能力を提供してきた。しかし企業との協力は必ずしも容易ではなかった。なぜなら NGO と企業は相互に抱く無知と不信感を克服しなければならなかったからである。しかし、いったん NGO がその専門能力を証明できると、すぐに信頼を獲得し生産的な関係の構築が行なわれた。また、NGO は、企業がなぜ CSR に関心を持つのかを理解し、彼らと協力する方法を学ばなければならなかった。あるケースでは（タイとインドネシア）、CSR の介入的援助は NGO のイニシアチブであった。タイでは、地元の大きな NGO がナイキ社と役員レベルの強いコネクションを持っていたのである。一方チリでは NGO を探し出したのは企業の方であった。ブラジルに関する章は、重要な社会政策イニシアチブの下でブラジル北東部に水を供給するため銀行の連合会と協力した 900 以上の NGO からなる連合について解説している。

NGO は企業とコミュニティの橋渡し役、あるいは業務の実行役としての独自の位置を築いたと思われる。しかし、企業がコミュニティと相互関係を築く方法は他にあるだろうか？ 第三章で、フランシスコ・マグノ氏は、フィリピンで CSR が発展したのは強固な市民社会のアドボカシーと脆弱な国家の結果であると論じ

ている。この枠組みの中で、彼はフィリピンの業界は 60 年代と 70 年代の社会不安に対応し積極的な取り組みを行い「社会の進歩をめざすフィリピン企業団体」を設立したと述べている。

その他に、財団が企業の CSR イニシャチブを進めるために（関連ある技術、運営および組織能力を持った）専門グループに企業資金の使用を許可する場合がある。グティエレズ氏とジョーンズ氏がラテンアメリカの概要の中で強調するように、財団は仲介役も果たすが、特定企業の「ブランド名」も提供する。本書は財団が果たせる役割を例を挙げて示している。例えば、ベネズエラのファミリー企業が CSR を果たすためにファミリー財団を設立した例、またメキシコの炭鉱会社が自社鉱山があるコミュニティにおける総合開発の協力関係を求め自らでグループを設立した例などを挙げている。特にこれらの二つのケースにおいて二人の執筆者が、企業とコミュニティの奥深い温情主義的関係によって支配されるコミュニティ文化のなかで CSR の介入的援助を実施することの難しさを強調しているのは興味深いことである。両者とも、企業から受益主体のコミュニティへのプロジェクトの引渡しを可能にする要素を含んだ出口戦略を策定することの重要性を強調している。これは介入的援助の持続性にとって極めて重要であり、それは、パピルス財団があらかじめ計画されたようにプログラム推進者から戦略的パートナーに転じたベネズエラの事例で十分証明されている。

これらのどの事例においてもコミュニティが強化されたことが報告されている。またほとんどの事例において、コミュニティが初めて組織化されたり、新たな組織が設立されている。フィリピンでは CSR の介入的援助の結果農業組合が生まれ、また既存のコミュニティと地元の組織が援助によって新しい組織を形成するに至った。同様にタイでは研修を受け新しい技術を得た女性の積極的な参加が増えコミュニティが強化され、また、ベネズエラやチリでは CSR の介入的援助が自己評価とリーダーシップ性を高めることを助け、それによってコミュニティが強化された。そして CSR 活動が終了した時、コミュニティ組織はすでに新しい

イニシアチブに積極的に携わっていた。チリの事例は、CSR が終了してもその他の重要なコミュニティプロジェクトに携わり続けた地元組織の具体的な例である。

ジメナ・アボガビル氏によるチリの章、アディ・サソンゴコ氏によるインドネシアの章、およびウォルフガング・フランク氏によるタイの章では、多国籍企業の役割の探求が行なわれている。彼らは、シェル社、ファイザー社、およびナイキ社の経験をそれぞれ分析している。これらはいずれも一流企業で、様々な理由により本社レベルで CSR に取り組んでいる。ファイザー社はステークホルダーのマッピングに取り組んでいるようであり、患者、顧客、コミュニティの中から主要なステークホルダーを特定している。シェル社とナイキ社は NGO とマスコミの圧力により、CSR の方針の見直しを強いられた（シェルは環境悪化、ナイキは納入業者の劣悪な労働条件によるもの・Grayson and Hodges, 2004）。

本書に取り上げられた事例は、学童や、より広いコミュニティのために役立ったり（インドネシアのファイザー社）安全な雇用の提供や地元企業家を支援したり（タイのナイキ社）といった介入的援助が彼らが維持しようとする企業価値にどう反映するかを一部例証している。チリにおけるシェル社の例は同社による環境悪化とは直接の関係はないが（シェル社はチリで探査活動を全く行なっていない）、それでも、都市部で環境問題と取り組んでいる。またチリの事例は本社の方針を現地国の事務所がどのように実施しなければならないかを強調している。現地事務所は CSR を進める経験が全くないない場合もあるし、子会社は CSR に不利な組織的・国家的文化のもとで運営されている場合もあり、幾度となく困難を経験する。これらの三つの事例のどれもラテンアメリカについて今まで議論されてきたことをかなりの程度反映している。それは現地オーナーシップの不在により、CSR イニシアチブに多国籍企業の本部と NGO から強い圧力がかかることである。（Peinado-Vara 2004）しかし本書に示された事例は、企業がコミュニテ

ィに働きかけるための仲介役機関としての NGO の重要性と、専門能力を提供し
企業とコミュニティの役割の補完する NGO の重要な役割を強調している。

「社会開発の促進における企業の社会的責任」に関するワークショップのセッシ
ョンで行なわれた討論から、以下の点が CSR－コミュニティ介入的援助のため
の戦略的要素として導かれた。

- 異なるステークホルダー間の協力関係が重要である。企業とコミュニティだ
  けがステークホルダーではない。そして事例が示すように行政（様々なレベ
  ルにおける）もまた重要なステークホルダーである。そのような協力関係を
  可能とするために、各ステークホルダーの異なる考え方を理解し容認し合う
  ことが必要である。
- 参加当事者のメリットは非常に明確でなければならない。特にすべての関係
  者の、なかでもコミュニティの期待については特に明確でなければならない。
  これは文化的に温情主義が浸透しているところでは特に重要である。
- コミュニティは、企業は問題解決に関与する唯一の行為者ではないというこ
  とを理解しなければならない。また企業は最初からこれを明確にする努力を
  すべきであるし、力と役割分担のバランスがなければならない。CSR の介入
  的援助の意義についての理解を深めることと改善や進歩に関する情報を広く
  普及することは極めて重要である。CSR の介入的援助の評価はすべてのステ
  ークホルダーに向けて提供される情報に含まれるべきである[1]。
- 介入的援助と開発のより優れた持続性を達成するために、入口戦略と出口戦
  略の両方が重要である。
- 政府は中央レベルで政策の分野においてだけでなく地方レベルで実施のため
  のパートナーや主要行為者として確実に重要な役割を担う。

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[1] 分析されたケーススタディのなかで、監視および評価システムの重要性を強調しているのは企業(日本とメキシコ)だけであることは重要である。

CSR の今後の行方

先に指摘したように、CSR とコミュニティ開発の関係については、拡大する CSR の分野のなかでまだまだ探求されていない分野である。本書は、今後 CSR は開発途上国の社会開発においてこれまでよりさらに大きな役割を果たすという前提のもとに、その分野に向けた貢献ができるよう目指している。とは言え注意しなければならないのは、CSR の介入的援助は重要であるにもかかわらず、小規模であり対象となるコミュニティに特定したしかも限定的な影響しか与えないないということである。ゴンザレス氏が主張するように、CSR とアジアにおける社会開発との関連性は全くないし、CSR はあらゆる問題の解決策ではないのである。

ゴンザレス氏とジョーンズ氏が主張するように、CSR の経営、結果管理、および影響評価をさらに良く理解する必要がある。INDES の活動の中核である管理者訓練における重要な課題は、CSR が提供する可能性をいかにして公共セクターの行政管理者が創造性を持って活用できるかということである。その観点から本書は CSR の発展の全体像と共に、関連する経験の事例を提供している。これらの事例は、民間セクターと協力してこの新しくかつ期待できる活動領域に踏み入る方法を例証するのに役立つと期待される。

政策レベルでは、CSR 促進において公共セクターが担うことのできる役割を理解するためにさらに多くの、以下のような問題に対する作業が必要である。公共セクターは CSR にどう関与するのか？彼らは企業活動の最低基準を定義して「義務付け」の役割を担うのか？または企業が CSR 活動に参加するためのインセンティブを可能にしまたは提供して「引きつけ役」を担うのか？公共セクターが参加者、招集者、またはファシリテーター役を務められる場合に「パートナーシップ役」を担うのか？そして、最後に、政策的支援や公認することで「支持役」を果たすのか？（フォックス＝ワード＝ハワード、2002 年）そしてこれらの役割それぞれにおいて、行政管理者は貧困や不平等を緩和するために CSR を利用しようと

する際、どんな問題に直面するのか？本書は特にこの最後の疑問に貢献しようと
するものである。

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The errors and omissions that remain are, of course, my own responsibility.

List of Acronyms

ADB	Asian Development Bank
AGFI	Arboitiz Group Foundation
ASA	Brazilian Semi-Arid Articulation/Network
ASEAN	Association of South Eastern Asian Nations
AusAID	Australian Agency for International Development
AWWA	Asian Women's Welfare Association
BINGO	Business-Run International Non-Governmental Organization
BOP	Bottom of the Pyramid
CBMFM	Community-Based Mangrove Forest Management
CBO	Community-Based Organization
CCC	Corporate Community Collaboration
CHDP	Cebu Hillyand Development Program
CEO	Chief Executive Officer
CEPAP-UESR	Center for Continued Learning at the University of Simon Rodríguez
CCC	Corporation Community Collaboration
CCSR	Centre for Corporate Social Responsibility
CSR	Corporate Social Responsibility
ECLAC	Economic Commission for Latin America and the Caribbean
EEO	Equal Employment Opportunity
EOI	Export-Oriented Industrialization
EVA	Appropriate Green Spaces
FEBRABAN	Principal Representative of the Brazilian banking sector, holding 95 percent of the total assets in the system
FLA	Fair Labor Association
GA	Global Alliance
GC	Global Compact
GDP	Gross Domestic Product
GIFE	Institutes, Foundations and Enterprises Group
GNP	Gross National Product
GRI	Global Reporting Initiative
GRINGO	Government-Run or Initiated Non-Governmental Organization

GTZ	German Technical Cooperation Agency
HELP	Help Every Lone Parent
IAF	Inter-American Foundation
ICSR	International Corporate Social Responsibility
IDB	Inter-American Development Bank
IEC	International Electrotechnical Commission
IEF	International Environmental Foundation
ILO	International Labor Organization
INDES	Social Development Institute
IPC	Institutions of Public Character
IRAS	International Revenue Authority of Singapore
ISO	International Organization for Standardization
ISI	Import-Substitution Industrialization
ISS	International Shareholder Services
JAPC	Japan Association of Parasite Control
JDRF	Juvenile Diabetes Research Foundation
JICA	Japan International Cooperation Agency
JOICFP	Japan Organization for International Cooperation in Family Planning
LCD	Liquid Crystal Display
MARN	Ministry of Environment and Natural Resources
MECD	Ministry of Education, Culture and Sports
MINDS	Movement for Intellectually Disabled of Singapore
MNC	Multi-National Corporations
NAFTA	North American Free Trade Agreement
NCSS	National Council of Social Service
NIPAS	National Integrated Protected Areas System
NGO	Non-Governmental Organization
NPO	Non-Profit Organization
NUS	National University of Singapore
NVDP	Nike Village Development Project
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
OIP	Original Ideas, Inventions and Proposals
OSH	Occupational Safety and Health

PATH	Program for Appropriate Technologies on Health
PBSP	Philippine Business for Social Progress
PDA	Population and Community Development Association
PDVSA	Venezuela's state-owned oil company
POEMAR	Non-Profit Organization in Pará, Brazil
PTO	Paid Time Off
RAFI	Ramon Aboitiz Foundation, Inc.
RVF	Revolving Village Funds
SARS	Severe Acute Respiratory Syndrome
SEC	Securities and Exchange Commission
SEKN	Social Enterprise Knowledge Network
SET	Stock Exchange of Thailand
SHARE	Social Help and Assistance Raised by Employees
SingTel	Singapore Telecom
SME	Small and Medium Enterprise
SOFOFA	Sociedad de Fomento Fabril
SRI	Social Responsibility Investment
SUFALTRAS	Sudlon II Farmer's Livelihood and Training Service Foundation
TAO	Tambon Administration Organizations
TBIRD	Thai Business Initiative in Rural Development
UE	Education Unit (School)
UN	United Nations
UNDP	United Nations Development Program
UNAIDS	Joint United Nations Program on HIV/AIDS
USAID	United States Agency for International Development
WHO	World Health Organization
YKB	Yayasan Kusuma Buana

PART I:

The Asian Experience

Corporation-Community Collaboration for Social Development: An Overview of Trends, Challenges, and Lessons from Asia

By Joaquin L. Gonzalez III, Ph.D.

> *In East Asia, Confucius said, "If one's actions are motivated only by profit, one will have many enemies."*
>
> *In North America, Chase National Bank CEO George Champion pointed out that, "Business must learn to look upon its social responsibilities as inseparable from its economic function"* (Wilson 1986).

Thousands of years apart, these parallel thoughts emerged from two continents on opposite sides of the Pacific Ocean.

Interestingly, Corporate Social Responsibility (CSR) is one of the panaceas prescribed by an emerging "school" of academic institutions and international consultants who seek to boost firms and economies out of the world business slump. Broadly, they see CSR as the antidote to market lethargy and corporate decay, and as the shock therapy needed to resuscitate and revive the private sector as the engine of growth and progress, especially in transitional economies. In East Asia, the miracle-turned-crisis situation provided the perfect operating setting for these "doctors of management," most of whom came from the West, to perform surgical CSR procedures and prescribe corrective CSR dosages for both domestic and multinational firms (Reder 1994; Economist Intelligence Unit 1997; Dunong 1998; Emerson 1998; Wu and Chu 1998; Richter 2001; Li and Batten 2001; Asia Africa Intelligence Wire 2003). Four major CSR conferences in 2003 alone also attest to this.

The infusion of CSR interventions into the business and economic bloodstreams of Asia has been quite pervasive in this era of intense globalization, from the boardroom to the supply chain, corporate headquarters to regional subsidiaries, business models to operational applications, as-

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sembly line workers to front line clients, and human rights to the protection of the environment. As a result, CSR is becoming a popular reinventing and reengineering tool of the 21st century, particularly in business circles. Not surprisingly, as CSR remedies have taken effect and Asian economic recovery has come into sight, a plethora of research and conferences have emerged, sharing "best practices" culled from successful experiences. In contemporary Asia, CSR is not only being touted as a cure-all but also a potent tool that could help sustain reforms and prevent future outbreaks of organizational infections and managerial dysfunctions. Asia is witnessing a paradigm shift in terms of revitalized business practices.

The principle argument of this paper is that while many of the CSR interventions applied globally are relatively "new" to Asia, when CSR is operationally defined as "corporation-community collaboration (CCC) towards social development" it is a familiar concept to generations of Asian entrepreneurs and the communities they serve (Carroll 1977; Aquino 1981; Dhiravegin 1985; Cox et al. 1987; Harivash 1990). However, in spite of its extensive history, Asian corporation-community collaboration in social reform is an under-studied area of policy research and attention, even in recent CSR conferences and publications in Asia (Kawamoto 1977; Takeuchi 1978; Singh et al. 1980; Krishnaswamy 1986; Mahmud 1988). Throughout Asia, scholars and practitioners are focusing on global and regional-level CSR issues such as human rights, environmental and health concerns, worker welfare, corruption, and social safety nets as well as company-level CSR issues such as board governance, ethical fund management, shareholder accountability, corporate restructuring, and corporate citizenship (Chowdhury and Kabir 2000; Gescher 2002; Holland 2002).

Moreover, CSR is not the only development concept that is evolving in theory and in practice. The content and context of social development itself, including its policies and processes, are also experiencing marked changes. Asia is a mix of countries experiencing varying degrees of westernization, democratization, modernization, and globalization. These processes have made Asia a region of contrasts and, at times, extremes. On the one hand, there are Asian sub-regions with "nouveau rich" countries, particularly in the northeast. On the other, there are Asian sub-regions with some of the poorest countries in the world, especially in the south. Another underlying argument of this paper is that in both rich and poor areas we can find a range of local firms, from SMEs to family-owned conglomerates, that over the years have been heavily involved in community projects such as creating access to health care, safe drinking water, and sanitation. In the poorest areas, local firms have had to "eat and breathe social development" every day for decades (Collins 2000).

The research presented in this paper attempts to move beyond CSR motivations that have already been more than adequately dealt with, into an examination of new trends within relatively "old frontiers." The goal is also to give a "social dimension" to the abundance of financial and economic stories about CSR. To achieve this, the paper has been divided into four sections and responds to a series of "guiding questions."

The first section examines the context of Asian business and civil society interactions from the "miracle period" and the "crisis years" into the "recovery trajectory." The discussion in this section responds to these questions: How are corporations addressing not only their own basic and strategic needs, but also the overall needs of society, in particular those of local communities? Which forms of CSR interventions have been applied for promoting community development in Asia? How has social development been enhanced by CSR?

The second section elaborates on company-community collaboration in particular, addressing: What are the benefits for companies and communities who collaborate? Who are the CCC stakeholders? What mix of assets do they bring to the CCC? What commitments can they make? What kind of partnerships can be developed between corporations, government, and communities in the context of CSR? Is government still needed in CCCs? What role will it play?

The third section deals with the internal and external obstacles or "disincentives" to Asian CCC formation, especially the issue of trust and the appropriate role of government in business-civil society partnerships. In particular, this section is focused on obstacles and opportunities inherent to Asian communities' effecting participation in CSR activities and in effect contributing more fully to social development.

The final section of this paper concludes with policy, research, and practical lessons on overcoming these Asian CCC challenges, identifying the types of policies that could be implemented to effectively promote and facilitate such collaboration and participation from the community to the international level.

Contextual Trends: Asian Business, Social Development, and Modes of CSR

It is difficult to examine current CSR practices in Asia without situating country experiences in the dynamic context of Asian business-civil society interactions from the "miracle period" and the "crisis years" into the current "recovery trajectory." The research presented here looks into: how Asian corporations address not only their strategic business needs,

but also the overall needs of the society, in particular those of the local communities; how Asian community organizations have participated in economic development, community development, social service delivery, public policy dialogues and the decision-making processes through CSR interventions; whether local and foreign firms have been able to contribute directly to community development in Asia beyond the traditional philanthropies; and whether they have been able to provide development assistance beyond financial capital. In short, is Asian CSR bringing wealth and social safety nets from the boardroom to the backyard?

The inter-relationships between and among business, government, and society in Asia are more than 4000 years old. Merchants from the Arabian peninsula, Central Asia, South Asia, Northeast Asia, and Southeast Asia have been exchanging goods for centuries, traveling enormously long land routes and treacherous sea lanes. During these hundreds of decades, trade, and commerce have been regulated and controlled by Asian empires, kingdoms, sultanates, and dynasties located in their respective seats of power in China, Japan, India, Korea, and Southeast Asia's Srivijaya, Siam, Malacca, the Majapahit Empire, the Khmer Empire, and the Sukhotai Kingdom. Asian civilizations flourished. Business and government practices were intertwined with the teachings of Hinduism, Buddhism, Confucianism, Taoism, and other Asian religions and philosophies. Later, Islamic and Christian proverbs and insights also found their way into Asian business practices.

The fusion of business, government, and societal values became the basis for ethical relationships and community giving, not only between individuals and society, and between citizens and government, but also between buyers and merchants. Confucius famously explained that, "if one's actions are motivated only by profit, one will have many enemies." While in India, Buddha also reflected on the social pact between business and society: "Look back at your business and life, at their end, and honestly say that the years of doing business have had some meaning. We should be able to look back and see that we have conducted ourselves and our business in a way that had some lasting meaning and which left some good mark on the world." We begin and end this paper with these two Asian quotations.

Capitalism replaced feudalism in the global economy of the 20th century. European colonizers gave their Asian colonies independence and the United States of America emerged as the new power in the Asian Pacific region. America promoted the tenets of capitalism in Asia with its prized Asian possession: its "capitalist" headquarters in the Philippines. In line with capitalist ideals, Northeast Asian countries implemented import-

substitution industrialization (ISI) policies which allowed the region to move from agriculture based businesses to heavy industries giving the region a comparative advantage over the west. South Korean conglomerates (*chaebols*) like Daewoo, Samsung, and Hyundai, as well as Japanese corporate giants such as Honda, NEC, Toyota, Suzuki, and Mitsubishi were the results of these ISI economic policies. Later, export-oriented industrialization (EOI) policies supported by both domestic firms and multinational companies further reinforced the capitalist structures introduced in Asia.

Investment combined with research and development resulted in high value-added manufacturing, especially in the consumer rich electronics sector. The results were Asian televisions, computers, VCRs, cameras, and radios (produced by Sony, Toshiba, Acer, Panasonic and Samsung) that out-performed their western competitors (such as IBM, Compact, Zenith, and Magnavox). Financial capital also grew and diversified as the demand for funds to fuel investments and trade increased. Japanese, Korean, Taiwanese, Hong Kong, Singaporean, and Indian banks worked in tandem with western financial institutions to support businesses in the region (Selwyn 1992; Sekimoto 1994; Wokutch and Shepard 1999).

The Asian Business Miracle Period (1965-1996)

In the *Art of War*, Asian philosopher-strategist Sun Tzu said, "A leader, who takes on the role of the commander, without understanding the strategy of warfare, invites defeat" (Tzu and Gagliardi 1999).

In *Capitalism and Freedom*, distinguished US economist Milton Friedman called CSR a "fundamentally subversive doctrine in a free society. In such a society, there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engage in open and free competition without deception or fraud" (Friedman 1982).

Are Chinese sage Sun Tzu and US economist Milton Friedman in intellectual harmony? Apparently so. In Asia, especially during its "renaissance" years, Sun Tzu's appeal extended beyond the military realm into the world of business. Since business, by definition, focuses on competition, Asia's business leaders claimed that Sun Tzu's principles are ideally suited for competitive business situations. Business, like warfare, is a dynamic and fast-paced contest of wills, based on both morale and machines, and deals with the effective and efficient use of scarce resources. Many busi-

ness people around the globe have found *Sun-Tzu ping-fa* (Sun Tzu's *The Art of War*)—similar to Milton Friedman's ideals—a valuable text, which, though written more than 2,000 years ago, is still one of the most important works written on the subject of Asian military and business strategy today.[1] Hence, a long period of robust economic and business growth preceded the implementation of ISI and EOI policies in East Asia.

Disciples of Friedman's school of thought, meanwhile, argued further that companies are only liable for social development through the many taxes they pay to government. Firms should not allow themselves to be distracted from profit maximization. If businesses wish to contribute beyond what they give to the government for social spending, companies could also opt to channel philanthropy to non-profit organizations and foundations that will allow them to write-off their contributions against their tax liability.

The Asian corporatist model of growth created: Japan Inc., Korea Inc., Taiwan Inc., Singapore, Inc. and Hong Kong Inc. Businesses were able to influence policies through deliberation councils like Japan's Ministry of International Trade and Industry, the Singapore National Wages Council, the Vietnam Chamber of Commerce and Industry, and the Malaysia Business Council. The role of government was to create physical infrastructure for the smooth operation of business, similar to roads and bridges, transportation, communication, airports, ports, terminals, special economic zones, and techno parks (Campos and Gonzalez 1997; Campos and Taschereau 1997). However, sub-contracting the work to businesses created opportunities for public-private sector collaboration. Public-private partnerships through build-operate transfer schemes became key and this approach eventually helped breed Asia's business tigers and dragons.

During the Asian "economic miracle," CSR strategies concentrated on tackling social development issues such as human rights, political rights, labor and employee rights, occupational health and safety, and women's rights at the level of company operations and national governance (Roberts 1994; Shrvastava 1995; Sethi and Steidlmeier 1995; Naya and Tan 1996). Business provided tax-deductible philanthropic support directly to community beneficiaries by sponsoring charities, raffles, beauty pageants, sports events, training and art exhibits, or else through civil society groups like religious organizations, hospitals, churches, temples, mosques, orphanages, old age homes, homeless shelters, food banks, unions, schools, and clan and ethnic associations (Rufino 2000).

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[1] Sun Tzu's work is similar to Roman Flavius Vegetius Renatus' "Military Matters," Lao Tzu's "Tao Te Ching," and the Italian Niccolo Machiavelli's "Art of War," among others.

In the late 1960s, a group of 50 Philippine CEOs formed the Philippine Business for Social Progress (PBSP) to finance community and social development projects. In Thailand, at the height of the miracle, a network of local and international hotels and restaurants led by the Pan Pacific formed a consortium that launched a "Youth Career Development Program" in 1995. PT Astra International (Indonesia) linked with Toyota (Japan) to provide student scholarships, help small entrepreneurs run car maintenance classes, and provide teaching aids for schools. This intra-Asian business philanthropy partnership also financed the restoration of Borobudur, Indonesia's most famous temple.

However, these were not large-scale efforts since many companies continued to adhere to Friedman and Sun Tzu's principles of business: social development is not the responsibility of corporations. Genuine socio-economic initiatives were curtailed by repressive regimes in the Philippines, Indonesia, Malaysia, Singapore, Korea, Taiwan, Thailand, Sri Lanka, Pakistan, Bangladesh, and China. Governments were afraid that citizens would think that they were not doing their work in providing public services, welfare, and social development. The trickle-down of wealth through the taxes paid by the business sector went toward rural development and poverty reduction.

Asian Economic Crisis Situation (1997–2000)

During the height of the East Asian crisis, concerns about the magnitude of graft and corruption, and the lack of transparency, predictability, and rule of law were revealed in Indonesia, Thailand, Japan, and Korea. Moreover, the crisis threw cold water on the "growth with equity" arguments. Was there really income redistribution? Many people in East Asia felt some form of "trickle down" of economic rewards. But it seemed that the main beneficiaries were still a select segment of society—the traditional political elites, the greedy economic warlords, well-connected wealthy ethnic Chinese immigrants, and established families and their conglomerates. One thing is for certain: throughout East Asia those who suffered the most devastating effects of the political-economic crisis were on the lower rungs of the social ladder. In essence, the crisis forced a reconfiguration of the relationship between business, government, and civil society stakeholders of social development. Civil society emerged as an integral partner of development and not just a beneficiary or social welfare recipient. Corporations realigned their business models and operations to increase competitiveness and perform more risk analysis and forecasting.

Consequently, local and foreign firms adjusted their CSR strategies, moving up the company hierarchy from a focus on employee relations to deal with ethical practices in their boardrooms (Jomo 1998; Asiaweek 2001; Charumilind 2002; Hanazaki et al. 2003). Shareholders were calling for improvements in public transactions and corporate board governance. Confucius' saying: "If one's actions are motivated only by profit, one will have many enemies," seemed to challenge the assumptions of Sun Tzu and Milton Friedman in the boardroom. Moreover, corporations began to re-examine their idea that businesses' contribution to social development was simply "philanthropies to civil society and tax payments to government." They began to develop social safety nets and "codes of responsibility" towards the environment and the visually, physically, mentally, and socially challenged members of the community. They also gave less to building physical infrastructures and more to building capacity and institutional development programs, like CSR-oriented training, incentives, conferences, certifications, and workshops.

In Bangkok, the Stock Exchange of Thailand (SET) and the Securities and Exchange Commission (SEC) adopted 15 core principles of corporate governance that it would monitor, ranging from protecting shareholder rights to revised board responsibilities. The SET and SEC pledged to reduce fees for listed companies and expedite regulatory procedures for firms with good governance. Asia's business sector also supported moves to make their host governments more efficient, responsive, and accountable especially vis-à-vis relations with firms. For instance, the Makati Business Club, an organization of 400 top corporations in the Philippines, allied with advocacy groups (Social Weather Station and Philippine Center for Policy Studies), the media (Philippine Center for Investigative Journalism), and the US-based Asia Foundation, to establish the "Transparent Accountable Governance" Project.

In the late 1990s, the South Korean *chaebol* Samsung established the Institute for Environmental Technology through which the company or one of its affiliates selects a river, lake or mountain and then takes the responsibility to keep it pollution-free. In Japan, corporate community investment is exemplified by the Cable & Wireless partnership with the Tokyo-based Centre for Active Community and the international consultancy and think-tank SustainAbility, which developed a strategic community investment program with a close link with both core business objectives and also the needs and requirements of Japan's local communities. Various Asian companies and Asia-based multi-national corporations (MNCs) have also turned to ISO 14001 and Social Accountability 8000 certifications, which evaluate compliance to ethical environmental and employment standards. Others

have even raised the bar to subscribe to UN Global Compact, ILO conventions, OECD Guidelines for Multinational Enterprises, the ISO 14000 Series, Accountability 1000, the Global Reporting Initiative, the Global Sullivan Principles, and even the latest AA1000S Assurance Standard, the first international standard developed to help ensure quality in corporate social and environmental reporting (Nair 2001; Mosher 2003).

Asian Business in Recovery (2001-present)

Economically, Asian economies account for more than half of annual growth in world trade and attract a significant portion of global business. Asia's growth is led by China, which is now the seventh-largest economy in the world and is set to overtake Germany and Japan within the next two decades, according to economic forecasters. Various Asian companies, including Mitsui, Itochu, Mitsubishi, Toyota, and Marubeni, have gross sales exceeding the GNP of Singapore, New Zealand, Pakistan, Portugal, Venezuela, and Egypt. In terms of finance, Japan's Sumitomo Bank had higher gross sales than U.S.-based Citicorp in 2001. There are more than three billion people in the Asian market, representing about three-fifths of the world's population. Just China and India combined account for two-fifths of the global population. Asia is also a major global source of cheap labor and raw materials. *Global Competitiveness Report* data shows Asian companies as the most reliable sources of competent managers (Philippines, India, Hong Kong, Singapore) and as having quality skilled laborers (India, China, and the Philippines). Global business is so tied to Asia that the last global recession was precipitated by the Asian financial crisis with the collapse of the high-performing East Asian economies.

Paradoxically, Asia is the home of some of the poorest economies and populations in the world. In a 2001 *International Survey Research* report on employee satisfaction, some of Asia's companies received the lowest ratings. In the last overall rankings (2003) of global competitiveness, business competitiveness, microeconomic competitiveness, only four Asian countries (Singapore, Japan, Taiwan, and Hong Kong SAR) were in the top 20, based on surveys of the global business community. Many Asian countries, including Thailand and Indonesia, rank at the bottom of the CSR scale for criteria such as shareholder rights, social responsibility and insider trading. An examination of Asia's Gini coefficients, poverty indexes, and other income inequality measures shows very weak performances by countries, especially in South Asia. Social improvement in Asia, therefore, is still urgent business.

Democratization in Asia has enhanced the confidence of civil society organizations, creating more avenues for multi-stakeholder partnerships

between and among government, businesses, and civil society stakeholders in social development. The recovery and continued growth of Asia can no longer be hinged solely on the business sector or public-private partnerships; civil society groups need to be involved. Local and international businesses in Asia have also learned that dealing directly with civil society organizations can bring both social and financial returns. After all, new business models call for greater reliance on suppliers and outsourcing agents. But most of all, corporations have discovered there is a large untapped market at the base of the societal pyramid. With the right products they could make significant profits from Asia's poor.

It is not surprising that as Asian business and economy have recovered, CSR strategies have been focused on sustaining relatively successful short-term milestones in the first years of the new millennium. Reinforcing these gains requires further re-examination of past CSR approaches and the introduction of new ones relating to corporate citizenship, business transparency and openness, socially responsible investments and a deeper commitment to community-level social development. The crisis situation further motivated political and business leaders to implement the many laws and policies that encouraged CSR. Several legal motivators can be cited.

In the Philippines, the inspiring 1986 People Power revolution and the rise of non-governmental organizations (NGOs), the overwhelming approval of the 1987 Constitution, the unprecedented enactment of the 1991 Local Government Code and Build-Operate-Transfer Law of 1993, and the implementation of the pro-people *Philippine National Development Plan: Directions for the 21st Century* (1998) were all crucial events that made a significant contribution to the interaction of groups representing the Philippine government, business, and civil society. They came after decades of suppression under martial law and heavily centralized control by the national government.

Similarly in Thailand, the landmark passage of the Tambol Authority Organization Act of 1994, the enthusiastic approval of the 1997 New Thai Constitution, the swift launching of the Eighth National Economic and Social Development Plan (1997), and the recent passage of the National Decentralization Act (1999) were critical turning points that enhanced power-sharing among the public, private, and civil society sectors. Citizen-business partnerships increased most notably at the sub-district (*tambon*) level. A progressive, charismatic senator, Mechai Viravaidya, moved to create the largest civil society-business poverty alleviation partnership through the Population and Community Development Association (PDA)'s Thai Business Initiative in Rural Development (TBIRD).

In Indonesia, post-Soeharto leaders, calling for "Reformasi," have moved for greater citizen participation in the political process and deregulated the business sector. Local assemblies, which did not have much power in the past, are becoming more important, especially at the regional level. The central government used to earmark large quantities of revenue for subsidies to failing public enterprises to the dismay of the taxpaying business community. Recently, however, the Ministry of Finance has initiated moves to devolve more than 50 percent of financial resources from a virtual national government monopoly to the coffers of provinces and districts as well as to provide more incentives for small and medium enterprises. National legislation helping to ensure further fiscal and administrative devolution include: Law No. 22 (1999) on regional government; Law No. 25 (1999) on fiscal balance; and Law No. 34 (2000) on regional taxes and levies.

Content analysis of four major CSR conferences in Asia in 2003 revealed that local and foreign companies have continuously been applying various kinds of CSR, including employee relations, product and process responsibility, and community involvement (Koh 2002; Limpaphayom 2002; Roman 2002; Shinawatra 2002; Tong 2002; Wong and Jomo 2002; Young 2002; Mosher 2003; Wiriyapong 2003). This further illustrates the resolve of the Asian business community to implement CSR policies not just at the national level but also in local communities and firms. Hence, the first "CSR in Asia Conference" in 2003 was held March 26-27 in Kuala Lumpur, Malaysia. The International Centre for Corporate Social Responsibility at Nottingham University (United Kingdom) sponsored it. Presenters ranged from Glaxo Smithkline, Affin Bank (Malaysia), Rolls Royce, and Malaysian Securities and Exchange Commission. Panel topics ranged from the elimination of child labor practices in the soccer industry in Sialkot, Pakistan, to online CSR reporting and monitoring practices in Japan, Malaysia, and India.

The second major conference was the Third Asian Corporate Governance Conference held May 15-16, 2003 in Seoul, South Korea, as a collaborative effort between the Asian Institute of Corporate Governance at Korea University and Yale University's International Institute for Corporate Governance. This third conference builds on the themes from the previous two conferences on global corporate governance. The discussions covered areas from disclosure and corporate governance issues in Hong Kong and Korea to the decentralization of Chinese, Japanese, and Malaysian corporate boards

The third major CSR in Asia gathering, the "Asia Forum on Corporate Social Responsibility" was held in Bangkok, Thailand, September 18-20, 2003. This largest gathering of CSR practitioners and researchers in Asia was co-hosted by the Ramon V. del Rosario, Sr. Center for Corporate

Responsibility (of the Manila-based Asian Institute of Management) and the Population and Community Development Association of Thailand. More than 400 participants from business, government, and civil society made presentations on best practices for collaboration that leads to bottom line benefits, using innovative techniques. CSR awards were given to innovative projects dealing with environmental excellence, best CSR policies, support and improvement of education, and poverty alleviation. Nestle Philippines and Union Cement won awards in the proactive CSR solutions category.

This meeting was followed a week later by yet another Asia regional CSR conference, the "Ethical Corporation Asia 2003 Conference," in Singapore. At this fourth CSR gathering, companies like Sony, the Gap, Hewlett Packard, the Tata Group (India), BASF, Premier Oil, British American Tobacco (Malaysia), Standard Chartered Bank, NEC Corporation, DHL Worldwide Express, Ballarpur Industries (India), The Rainforest Alliance, and Citibank shared experiences on how incorporating a CSR strategy in Asian markets could positively impact shareholder value by making a real difference in company environmental, social, and regulatory compliance policies.

The challenge is to balance three philosophical tenets: first, the tenacity and aggressiveness of Sun Tzu at the factory and on the front lines; second, the wisdom and ethics of Confucius in the boardroom; and third, the harmony and compassion of Buddha and the Dalai Lama in relations with the community-consumer. The examination of these three critical operating contexts of CSR and social development in Asia have emphasized that company-community collaboration has always been present in CSR strategies from the Asian "miracle" period to the Asian "crisis years." However, the recent 2003 meetings of professors and practitioners of business and CSR have revealed that the toughest course is at another level of engagement between business and civil society: how to operate responsibly without looking at persons at the bottom of the pyramid as simply "profit centers." Institutionalizing "giving back to society" beyond the traditional philanthropic modes is business for business. Moreover, the direct impact of CSR on social development is difficult to measure.

Community-Corporation Collaboration and Social Development

At the height of Asia's regional economic boom, groups representing civil society became critical partners in development governance. Their expansion was bolstered by many factors, including the generous shift of financial and other resources from governmental to non-governmental organizations, and support was channeled from the national, regional,

and international levels. Organized groups, representing segments of Asia's non-government sector, such as non-governmental organizations (NGOs), community-based organizations (CBOs), and private voluntary organizations (PVOs) often became useful alternative service delivery agents, especially for health care and agricultural extension services. Many also became strong political advocates of women's, environmental, social, and human rights, as well as consumer issues. Tired of the dominance of "big business" and multinational interests, various NGOs even focused on entrepreneurship and financing targeted at assisting the growth of small and medium enterprises (SMEs) and community-based credit cooperatives. Compared to their government and commercial sector counterparts, Asian civil society groups concentrated on operations beyond trade, investment, infrastructure, finance, and other economic issues. South, Northeast, and Southeast Asian NGOs, CBOs, and PVOs delved into poverty, human settlements, equity, education, health, population, the environment, and many other social concerns.

"Civil society" and "sustainable human development" became the buzzwords of the 1990s in Asia, driven in theory and practice by local, regional, and international development agencies, research and academic institutions, governmental organizations, and community groups. Despite this trend, some Asian governments took cautious stands and closely monitored the development activities of civil society groups. This was especially relevant in countries like Singapore and Sri Lanka, where national security agencies suspected NGOs of being radical fronts for extra-legal and destabilizing political and social change, and in countries where the challenge was to ensure racial harmony. In order to emulate the NGOs' ad hoc nature, which seemed to give them greater flexibility, responsiveness and trust at the community level, a number of Asian governmental institutions set up Government-Run or Initiated NGOs, popularly known as GRINGOs. Like the government, many Asian businesses were suspicious of NGOs. Nevertheless, there were companies in the business sector who learned to build alliances with them as part of their corporate governance and community outreach strategies.

Chit Juan, Chief Executive Officer of Philippine-based Figaro Coffee Company and 2003 Asia CSR Bangkok conference award winner, said:

> *The commitment of a company to social responsibilities is a major driving force. Establishing a corporate culture that espouses values and programs that go beyond the norms of business inculcates trust and pride in one's organization, which in turn propels it to greater heights. Companies, which are driven by absolute commitment to its targeted*

publics—including the communities they serve—are truly those worth
emulating (Business World 2003).

CEO Chit Juan's thoughts reveal the many avenues for community-level
partnerships for social development between business and civil society
entities. Although not yet a large-scale trend, as emphasized in the confer-
ence analyses in the previous section of this paper, new configurations of
community-corporation partnerships for social development seem to be
emerging in Asia.

What Benefits Exist for Company-Community Collaboration?

Historical evidence shows that actors in any one sector in Asia, operating
independently, do not have all the needed resources, all the public faith
and confidence, and all the knowledge needed to address social develop-
ment issues effectively. When stakeholders from Asia's business and civil
society sectors align together, social development concerns are more like-
ly to be addressed in a way that is effective, responsive, economical, and
sustainable. Power over social development issues is held by a great vari-
ety of individuals and organizations. The media, religious organizations,
community groups, employees, entrepreneurs, and corporate bureaucrats
all have some influence and shape public concerns. There are many factors
pushing communities and business to operate against one another, take
competing views and positions and play adversarial roles, as will be elab-
orated on later. However, past experiences from India and Bangladesh in
South Asia to the Philippines and Thailand in Southeast Asia have dem-
onstrated that more can be achieved by harnessing the strengths of vari-
ous players and aligning multiple centers of power around an issue, than
by fragmenting the available resources and competing for power.

The regional economic crisis and recovery periods have demonstrated
that Asians live in a rapidly changing, interconnected and unpredictable
globalizing and regionalizing environment. Increased access to education
and the Internet have empowered more Asians with the skills and knowl-
edge to choose their own futures, and to ensure that Asian businesses,
governments, and civil societies fulfill their promises. All these factors
have combined to dramatically alter the context in which social develop-
ment is defined and delivered.

Not only have social concerns in Asia taken on new complexity and
interconnectedness, the methods to address these concerns are necessar-
ily changing too. Sources of power and legitimacy to address public issues
are increasingly fractured. Asians no longer live in a region where the na-

tion-state is regarded as the sole legitimate decision-making actor in social development. In fact, the number of domains in which governments can credibly claim to hold overwhelming pre-eminence is in relative decline, especially with the rise of the private and civil society sectors.

The benefits for both Asian companies and communities are plentiful. For domestic and international companies, these include tax write-offs, market penetration, social advertising and risk-mitigation incentives. These have a direct impact on the bottom line of business revenues. Civil society organizations benefit from the sustained flow of supplemental financial resources, material donations, more "warm bodies" as supporters, lobbying credibility, social marketing visibility and strategic thinking. These have a direct impact on civil society's bottom line—societal change.

Who Are the Actors Representing Business and Civil Society in Social Development?

Community or the civil society sector is represented by: individual consumers or citizens, NGOs, CBOs, PVOs, advocacy groups, public or special interest groups, academic and research institutions, media, religious organizations, women's groups, labor unions, human rights, environmental, student associations, family and clan associations, ethnic and indigenous groups, youth clubs, sports teams, foundations, citizen's committees, urban poor organizations, farmers' and fishermen's associations, training and education organizations, and others. Examples of CSR-oriented civil society organizations in Asia that are working with corporations are found in Appendix 1.1. These organizations have relatively long histories of partnership with business.

Corporations and the business sector are represented by: sole proprietorships, entrepreneurs, multinational corporations and their subsidiaries, chambers of commerce, SMEs, local business, trade, credit unions, savings and loan associations, investment companies, banks and other financial institutions, marketing and advertising firms, investment associations and cooperatives, utilities (energy, water and power) cooperatives, Internet business and business councils, among others. Examples of CSR-oriented business organizations in Asia that are doing work with local communities are found in Appendix 1.1. These business associations have relatively long histories of partnerships with civil society groups. Appendix 1.2 lists multi-national corporations operating in Asia that have made a commitment to CSR. These organizations have histories of partnership with civil society.

A number of ongoing partnerships between business and civil society organizations provide lessons for social development at the community level.

Vietnam: Vietnam Business Council is a consultative and deliberative forum comprised of representatives from business, government, and civil society. The VBC meets periodically to address issues related to the development of economic, and social business policies and laws. The Vietnam Business Council was created under the leadership of four key organizations: (1) Vietnam Chamber of Commerce and Industry, a national organization which assembles and represents business enterprises and associations from all economic sectors throughout the country; (2) Prime Minister's Research Commission, the Prime Minister's think-tank on economic, social and administrative reforms, which provides advice and proposals to the Prime Minister and leaders of the Vietnamese Government; (3) Central Institute of Economic Management, the research institute which helps the Vietnamese government work out economic laws and policies; and (4) Association of Small Entrepreneurs in Hanoi, started up after a careful study of similar types of deliberating councils operating in Southeast Asia—for example, the Singapore National Wages Council and Malaysia Business Council. The VBC has now started to develop an organizational culture of its own, blending the best of these two models with Vietnamese-style policy consultation and discussion.

Malaysia: The Sustainable Penang Initiative pioneered a community-based indicators project aimed at creating a process for more holistic and sustainable development planning in the State of Penang, Malaysia. The project involved five roundtables on different areas of sustainable development: ecological sustainability, social justice, economic productivity, cultural vibrancy, and popular participation. At the roundtables, government, business, and civil society participants from Penang identified community-based indicators they could use to monitor development in Penang. the civil society groups involved were: WaterWatch Penang; Sustainable Transport Environment Penang; Sustainability, Independence, Livelihood, Access, a network of people with disabilities; and manufacturing groups that banded together to form Sustainable Penang Initiative for Corporate Environmentalism. The initial monitoring results were presented at a People's Forum, through a People's Report Card and a State of Penang Report.

Indonesia: Since two decades ago, a primary-school-based intestinal worm control program covering nearly 700 schools and 180,000 students has been in place in Jakarta and in a number of schools in the Seribu Islands in the bay of North Jakarta. Behind the success of this program is

Yayasan Kusuma Buana, a health NGO working on maternal child health and reproductive health, focused on the middle-lower income community in Jakarta, partnered with Pfizer Inc., a US-based pharmaceutical company that produces anthelmintics (de-worming drugs). The civil society-MNC partnership conducted: (1) health education for students, teachers, and parents on the problems of intestinal worms and how to prevent them; (2) a semi-annual stool examination; and (3) treatment for those infected with the worms.

Philippines: Water shortages have been a chronic concern in Baguio, a city in the northern Philippines. This serious environmental issue is being alleviated through the Baguio Regreening Movement, a CCC composed of business associations: Benguet Electric Cooperative, Carantes-Gibraltar-Mines View Drivers and Operators, Mountain Province Electric Cooperative, NorthCom, and Rizal Commercial Banking Corporation; and civil society groups: school children of Baguio City, Baguio Correspondents and Broadcasters Club, Archdiocese of Baguio and Benguet, Timpuyog ti Iit (an NGO composed of Barangay officials), Association of Barangay Councils of Baguio City, and Jaime Ongpin Foundation. BRM partners jointly designed and implemented an indigenous community-driven program called Eco-Walk, which promotes regular, organized walks by school children into a watershed area to explore and to plant and tend tree seedlings under the guidance of forestry volunteers and personnel. Aside from being a watershed rehabilitation program, BRM lets children help restore the local environment they will inherit and manage in the future.

Thailand: One of the well-developed and successful CSR programs in Southeast Asia, involving hundreds of private firms, has been the TBIRD by the PDA. PDA began operations in 1974 by promoting family planning in urban and rural areas of Thailand. Using a participatory community-based approach, PDA's family planning efforts helped to reduce Thailand's population growth rate from 3.2 percent in 1970 to less than 1 percent today, a success recognized worldwide. PDA has since expanded operations to include primary health care, AIDS prevention, education, gender equality and democracy, promotion of income-generating activities, small medium enterprises and rural industries, forestry and environmental conservation, water resources development and sanitation among others. For many years PDA has worked with private companies to develop the poorer regions and strata of Thailand. PDA is one of the pioneers of the "privatization of poverty reduction" concept, which is based on the premise that only private sector companies can improve people's natural environment and socio-economic living conditions in countries such as

Thailand. Compared to most governments and NGOs, private companies have the necessary human, technological, marketing and financial resources, a small part of which they could make available to the development of the country they operate in.

Singapore: Singapore Telecom (one of Singapore's major government-linked companies) has contributed to improving the lives of the less privileged Singaporeans and to overall human resource development in Singapore. Singapore Telecom (SingTel) believes in playing an active role in supporting the community and social development in Singapore. In 2002 it set up *Touching the Lives Fund*, the largest philanthropy project in the company's history, supporting children's charities. SingTel has partnered with the National Council of Social Service, associated with organizations such as the Rainbow Center, the Singapore School for the Deaf, the Singapore School for Visually Handicapped, the Spastic Children's Association School, and the Singapore's Children Society. Contributions from the Fund go towards helping the beneficiaries run programs, including education, training, and therapy for children with disabilities.

Another form of CCC now emerging in Asia involves the concept of Community Foundations.[2] The following are some examples of how it has been interpreted in Asia.

Bangladesh: The Bangladesh Freedom Foundation was launched in 1999 along community foundation lines with the support of the Ford Foundation. Its mission is to promote three fundamental freedoms in Bangladesh: freedom from poverty, freedom from ignorance, and freedom from oppression. It works through partnerships with civil society

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[2] Community foundations:

○ formed to improve the quality of life in a geographic area;

○ independent from control or influence by other organizations, governments or donors;

○ governed by a board of citizens broadly reflective of the communities they serve;

○ make grants to other nonprofit groups to address a wide variety of emerging and changing social needs in the community;

○ seek to build, for the long term, a permanent resource for the community through the creation of endowed funds from a wide range of donors, including local citizens, other nonprofits and businesses;

○ provide services tailored to the interests and the capacity of donors to give;

○ help donors achieve their philanthropic and charitable goals;

○ engage in a range of community leadership and partnership activities, serving as catalysts, conveners, collaborators and facilitators to solve problems and develop solutions to important community issues;

○ have open and transparent policies and practices concerning all aspects of their operations; and

○ are accountable to the community by informing the general public about their purposes, activities, and financial status on a regular basis.

groups and organizations, and by supporting programs that strengthen civic initiatives and citizen participation.

India: India has two community foundations, one in Mumbai (Bombay) and the other in Ahmedabad. The directors of the Centre for the Advancement of Philanthropy in 1991 established the Bombay Community Public Trust. The second community foundation, the Ahmedabad Community Foundation, was formed with the support of The Ford Foundation in 2001. Sampradaan Indian Centre for Philanthropy is actively researching and promoting the community foundation concept. Other efforts to develop new community foundations are underway.

Japan: There are two community foundations in Japan. The first, the Osaka Community Foundation, was established in 1991 with the support of the local chamber of commerce. The second was formed by a group of volunteers in Kobe in the wake of the Great Hanshin/Awaji earthquake. The Citizens Fund Kobe is part of the growing nonprofit movement in Japan to increase local support for the emerging voluntary sector.

Philippines: The Kabalaka (Concern) Development Foundation of Negros Occidental has set out to transform itself into a community foundation. A research survey is being conducted to identify other foundations with characteristics similar to those of community foundations, in preparation for a community foundation development program in the Philippines.

What Assets or Commitments Does Each Collaborator Gain?

When a CCC in Asia is formed, each actor from business and civil society brings to the new relationship a set of assets and commitments that become the foundation for negotiation, communication, agreement, and engagement. In absence of a formal contract, in most cases, their exchanges and discussions become the terms of reference for the collaboration. These could be grouped into the following categories:

○ **Physical:** financial, technical, and material resources

○ **Organizational:** personnel, structure, leadership, capacity to manage, plan, implement, monitor, evaluate, and train

○ **Political:** power, authority, influence, legitimacy, lobbying, and access

○ **Intellectual:** knowledge or know-how in certain fields of expertise

○ **Socio-cultural:** feelings/spirit of trust, networks, social bonds, friendship and willingness to collaborate, community traditions, ideals or values

CCCs recognized that businesses and communities in Asia are endowed with a mix of all five forms of assets, although it seems that in practice each is able to make commitments and contributions only of certain kinds of assets to the CCC. The mix of contributions and commitments varies depending on the nature of the social development problem, the particular context and timing, the capacities of the various representatives, the amount of money, and the degree of commitment needed.

Companies or businesses could contribute assets or take on social development responsibilities in all five areas in Asia. In terms of political commitments, corporations could leverage business-related policies and legislation through campaign contributions to legislators, playing money politics to gain favors from politicians. They are also good at providing political risk analysis to investors, clients and citizens. Intellectual information and intellectual property rights are power. Entrepreneurs are also very product- and service-oriented and have the skills and acumen to make money. Their business models always incorporate competitive strategies.

The two strongest areas for corporate sector partners are in physical assets and organizational commitments. In terms of physical assets, business brings to the partnerships vital financial resources, investments, donations, employees, materials, and supplies. In addition, the institutionalization of funding support through diverse sources has always been a challenge for civil society organizations. Business persons are also steeped in organizational capital like transformational leadership, strategic thinking, entrepreneurial skills, formal networking, results- and profit-driven management, performance-based product marketing, market survey and analysis, budgeting and accounting skills, shareholder accountability, and niche advertising. These entrepreneurial skills and technical know-how required to mobilize local financial resources, which are critical to sustaining community development, are things that civil society groups could learn from the business sector.

Similarly, the **civil society or communities** could make credible commitments and resource contributions in all five areas towards social development in Asia. But their strongest asset is their ability to harness grassroots socio-cultural commitments, from individuals to families, relatives to friends, urban poor to rural farmers, marginalized to indigenous groups, youth to women's organizations, and NGOs to PVOs. Civil society groups are adept at social relations, informal networks, kinship ties, emotional commitments, local traditions, beliefs, customs and practices that promote and produce community self-help as well as self-reliant attitudes and behavior. They bring with them knowledge from history, traditions, customs, and beliefs, including wisdom, ethics, and values.

Their next strongest trait is political capital—essentially lobbying, advocacy, and representation of social issues that affect the poor, common folk, marginalized groups, indigenous people, and ethnic communities. Civil society organizations also bring intellectual assets to the collaboration, including the wisdom of village elders, indigenous methods and ways of doing things. Certain communities are also naturally endowed with physical resources like raw materials and skilled labor.

Organizationally, civil society organizations bring strong community-based networking techniques, an ad hoc structure but task-oriented approach, community-based education and training, social marketing and communications. They are very comfortable interacting with grassroots representatives. Like business, civil society tends to be weak when it comes to ensuring political stability and institutionalization, and often lacks authority and administrative capacity. Additionally, civil society does not have the legal, judicial and regulatory authority to require the business community to be more accountable and responsible, since that has been best accomplished by government agencies or quasi-judicial authorities, leading us to the role of government in company-community alliances.

Based on this rich inventory of assets, Asian corporations and communities will have mutually beneficial exchanges. The incentives for businesses to join CCCs—besides tax write-offs—are non-monetary dividends such as: increased market penetration, more extensive word-of-mouth advertising, greater emotional appeal and popular respect, more community allies and enhanced networks, an understanding of local preferences and access to information. Communities get access to supplemental funds, materials, expensive technology and advertising, risk analysis and financial management skills, boardroom audiences, and possibly, respect. There is also the ability to get their social message out, gaining corporate allies—from firm to clients—as well as acquiring strategic planning and implementation skills.

Is There a Role for Government in CCCs?

There is a critical role for Asian national and municipal governments in CCCs since political legitimacy and institutional security are best provided by government bureaucracies or public enterprises. Many private corporations cannot guarantee social equity and economic rationality. In fact, many of the Asian CSR experiences in the crisis period showed that, left solely on its own, the market tended to generate economic and income inequalities—hence the compelling need for the civil society and

government sectors to jointly check and balance the operations of the free market with regulatory activities and programs that reduce these socio-economic inequities.

In terms of physical assets, the government's role is clear as the primary provider of social services and development, especially among the developing countries of Asia. Citizens and corporations expect the government to fulfill this role. In this respect, corporations view themselves as supplementing but not replacing government, which has the power to reallocate tax collections and other sources of public revenues towards social infrastructure, welfare, the environment, health, and other community concerns at all levels. Organizationally, public agencies have the capacity to formally link and coordinate across the various levels of government into the realms of the private and civil society sectors. They provide the bureaucratic structure and create the rules, procedures and directives to efficiently and effectively carry out political, economic, and social development programs.

Civil servants, legislators, politicians, and judges understand the relevant laws and policies, and the legal and institutional context, as well as having technical expertise in specific areas of development. They are also the repository of socio-cultural capital, including government ideals, values, ideology, patriotic fervor (respect for the flag and country), rule of law, and the constitution, which builds community cohesion, loyalty, cooperation, collaboration, civic-mindedness, and democratic practices. But most of all, CCCs may lack an understanding and expertise in law, regulations, procedures, and bureaucracy. Government is expected to provide political will, leadership and support, as well as formal authority, access to political systems, internal political and administrative influence and control, and law-making. Hence, certain CSR-oriented social development strategies, if not all, might well benefit from a multi-stakeholder partnership involving business, civil society, and government, rather than simply a CCC.

Challenges and Barriers to Community-Corporation Collaboration

In the previous section, there seems to be an inherent logic that generally community-corporation partnerships are more participatory, more democratic, more effective and more responsive in addressing social development concerns in health, environment, labor, sanitation, safe drinking water, child and maternal health, and so on. It was also stressed that government will have to play a significant role in CCCs. However, the research findings of Gonzalez (2004) also revealed various obstacles to

alignments between and among business (private sector), civil society (the people), and government (public sector). In particular, that the weakest link among the multi-stakeholder partners was business, especially in terms of corporate connections to civil society and corporate contributions to social development.

What are the main obstacles that hinder participation by business in social development? For starters, Asian boardrooms and entrepreneurs have generally held conservative business values. There are many Asians of the "old guard" who still think like Sun Tzu and Milton Friedman. Convincing them respectfully means appealing to their wisdom and seniority. Despite gains, media coverage, and philosophical impetus, a certain degree of skepticism still exists about the real effectiveness of CCC-CSR in Asian business.

A most compelling issue that cuts across private, public, and civic sectors is the inherent lack of trust among partners. Deeply ingrained attitudes of blaming government for its inefficiency, criticizing civil society for its narrow and biased interests, and viewing business as pursuing only its own bottom line, do not auger well for strong, supportive relationships. An additional obstacle to effective CCCs and multi-stakeholder partnerships is a reluctance to share power. And after many years of taking the lead, government actors often still believe that the people expect them to continue setting and implementing the agenda. Finally, the comfort and security of maintaining the status quo is a significant force mitigating against the formation of new CCCs or multi-stakeholder partnerships.

Initially, it could be a very daunting challenge to change historically adversarial relationships to supportive ones. Asian cases demonstrate that obstacles such as these are continuously present. The creation and design of these innovative collaborative arrangements also have their financial costs, although the long-term pay-offs are well worth it. Multi-stakeholder arrangements seem to work better with certain concerns than with others—for instance, environmental issues. In two books, *Governance Innovations in the Asia-Pacific Region* (Gonzalez and Bhatta 1998) and *Opting for Partnership* (Gonzalez, Lauder, Melles 2000), a number of development colleagues and I shared the results of the Canada-ASEAN Governance Innovations Network, a four-year project planned and implemented by the Institute On Governance, and supported largely by the Canadian International Development Agency to evaluate the "barriers" to partnerships among business, civil society, and government. The findings presented in this section of the paper build on this extensive research with new and updated information.

Internal and External Concerns—Civil Society in Asia

In Asia, NGOs, CBOs, and PVOs are most concerned about their capacity to contribute and commit to a CCC without money. Asian civil society entities feel that if they do not have money to offer, they will not be an equal and credible partner in the CCC, since the private sector considers funds to be a critical indicator of commitment. Are NGOs simply going to be followers and doers since they do not have the funds to contribute? Asian not-for-profit organizations are quickly learning that the first step they need to take is to make themselves "profitable," that is, financially viable. Many Asian civil society groups also feel that they speak a non-business language, e.g., emotional, critical, social, cultural, supportive, psychological, educational, and environmental. Many boards of directors of Asian companies, especially those from the "old, traditional school" who are steeped in the Sun Tzu and the Milton Friedman principles of business, are not interested in listening to sales pitches by young, dynamic, passionate civil society representatives who use non-business discourse. Senior company directors and regional managers believe that NGOs have no business telling them how to run private business unless what civil society has to say will directly affect revenues.

Asian NGOs and CBOs are used to using ad hoc, informal, and task-oriented approaches in everyday operations. Conversely, corporate inter-office dynamics in Asia utilize formal, bureaucratic hierarchies and processes in their daily transactions, including firm superior-subordinate relationships. How could these two operating settings mesh? Although marked improvements have been made, there is still a gender divide in civil society and business work. Many argue that the "soft work" done by civil society organizations is for women, while the "hard work" of business is for men. Certain segments of Asian civil society lack confidence in their leadership abilities. Some think that NGO leadership skills are not valued in the "real world." That the only leadership acknowledged by the working world is either corporate or governmental and there is no room for discussion. This insecurity makes them unsure about who should lead the collaboration.

Generally, comfortable relationships between government and business have been criticized by citizens as corruption at the expense of the society. There is a dearth of literature on "iron triangles" or sub-governments that expand on these cozy public-private relationships. Civil society is wary that a relationship between them and business could be viewed in the same light. Local CBOs and NGOs ask: Is a CCC moral or ethical? Isn't a CCC a western ideal? If so, is it compatible with the country or culture? Maybe the country or culture is not ready for such a relationship? Maybe our citizens and institutions still lack democratic maturity?

Is a CCC simply a MNC's way of co-opting militant groups, especially labor? Development beneficiaries from the community also have their doubts: Does the community partner really have credibility with the local community? Or, is the community partner really a GRINGO or a BINGO (Business-run International NGO)?

Internal and External Concerns—Corporations in Asia

What are the concerns of the Asian business sector? Although there is a growing trend toward socially responsible investments, many shareholders, managers, and boards are still uncomfortable with a number of CCC features (Chen 2001). A primary concern of businesses in Asia is how it affects their business model and the profits they have projected over the short, medium, and long term. They are also thinking about how much CCC will cost and if there are any financial returns. These concerns, and others involving the time frame for partnership, return to the business equation that "time is money." How many meetings and discussions do senior managers or their representatives have to attend? How many CCC meetings will they have to host? Asian business meetings are always long and costly, since food and drinks have to be served. Will they have to continuously listen to long-winded, impassioned speeches about "business' sins" and how much corporations "owe to society"? If there are tangibles (or intangibles) to be secured from the relationship, what are they in US dollars or in the local currency? Will they be able to write off contributions against taxes? Will CSR increase the price of shares or stocks? Will CCC provide the firm with market visibility or consumer advertising? Are the representatives of the community a part of the business' consumer market or are they simply "spies" working for competitors or for the government? Will civil society representatives reveal too much about our comparative advantages, intellectual property, product secrets, as well as special formulas and processes? There is a broad spectrum of community groups. With which civil society organizations should business partner? Do they have a choice?

Businesses in Asia are also concerned with whether Asian civil society will understand business language, that is, profits, competition, markets, risks, supply and demand, price elasticity, wages, contracts, and liabilities. Conversely, corporations are worried whether they will be able to understand civil society's discourse and rhetoric. Various corporations feel strongly that CSR extends beyond their "business operations" and consider social development the responsibility of the government. They ask: If social development is truly the role of the government, then doesn't the CCC's mission overlap with the governments? Are there any liabilities or

legalities involved in a formal CCC or will an informal CCC work? Will we have to go to court to resolve conflicts or will an arbitrator or mediator suffice? Who assumes losses or costs of litigation? Is CSR in fact linked to corporate core values? Will our corporation need to remake its core values, mission, and vision? Could this simply be a corporate fad? Can these "radicals" who are partnering with the corporation be trusted? Is this about human rights again? Depending on the answers to these questions, business may be not interested.

Governmental Concerns—Social Development Is my Turf!

Asian governments may be reluctant to endorse, support, or help institutionalize CCCs. There are many public servants who feel that social and community development is the main reason for the existence of government, that this is their traditional role and that nobody can do it better than them. In other words, Asian governments, especially at the national levels are afraid of losing control, power, and influence. Asia's "benevolent leaders" may be afraid to lose face and do not wish to appear weak by seeking help from a CCC to implement social development. Involving government in a CCC might be misinterpreted as politicians and bureaucrats not wanting to do what they were elected or appointed to do, leading to a loss of credibility among voters and poor results in the next elections or their next performance evaluation.

Asian legislators and executors are also concerned about how to craft laws to regulate CCCs as a new public entity or whether CCCs should be regulated at all. If their social development assistance is institutionalized, CCCs have to be held accountable for the sustainability of results. There is always the temptation to create a GRINGO as an intermediary in partnership with business, rather than relying on an NGO that might be overly-critical of government.

Finally, CCCs lack a broad geographic and global view of social issues, whereas government, with its vast reach and with the help of the Internet, can communicate and coordinate above and below the chain of command faster than many company subsidiaries or civil society field offices. Which government representative, agency or entity is willing to cooperate with a CCC?

Conclusions: Lessons for Policy, Research, and Practice

Is there a relationship between CSR and social development in Asia? A CSR study of seven Asian countries (Chambers and others 2002) performed by

the UK-based International Centre for Corporate Social Responsibility at Nottingham University, evaluated the extent of CSR penetration for both local companies and MNCs in Singapore, India, Thailand, the Philippines, Malaysia, South Korea, and Indonesia, as well as CSR impact on social development, measured as adult literacy and life expectancy. There seemed to be no significant correlation between the two on the basis of macro-level indicators. One interpretation of their data is that even with increasing private sector development, divestiture of government shares, contracting out of public services, privatization of state-owned enterprises, and a shrinking government share in Asian economies, Asian and Asian-based corporations have not taken on increasing responsibilities to address social development issues at a magnitude comparable to their growth. Another interpretation of the data could be that testimonies at the community level are not adequately covered by the statistical aggregation, particularly in a case-by-case analysis. Individual cases have highlighted that there is actually high community satisfaction with the work of CCCs. The succeeding Asia case studies from the Philippines, Thailand, Indonesia, and Singapore will provide strong evidence for this argument.

This final section concludes with policy, research, and practical lessons that could possibly be used to guide specific policy initiatives to effectively promote and facilitate CCC partnerships and participation. Policymakers who wish to replicate lessons from Asia should be aware of these three inter-connected motivators:

❶ **A profitable or competitive business climate and wealth accumulation are necessary preconditions to initiate CSR**. This is not a chicken and egg argument. Profits must first accrue in shareholders' bank accounts before firms think about giving back to the community and contemplating issues that conservative Asian boardrooms are not accustomed to, including human rights and environmentally sustainable development. That is what happened during the economic miracle years. From philanthropy to CCCs, increased wealth allowed Asian corporations to channel some of their energy and resources to what they consider to be areas that only indirectly affect their revenue targets. Even after the centuries of business in the region, there are still many Asian business leaders who subscribe to the Milton Friedman/Sun Tzu paradigm of profit maximization. Interestingly, even Buddhism points out that making money is acceptable, since a person with greater resources can do more good for others than someone who does not. Meanwhile, Hindus believe that the more a company makes, the more should go back into the dharma. Also, there is a traditional saying in

the region that "rice bowl" issues at home need to be addressed before one can reach out to others. Charity begins at home.

❷ **CSR culture in Asian business derives from spiritual and philosophical underpinnings**. Some Asian firms may appear to be schizophrenic to western observers, when Asian spirituality is factored into a company's operations and it adheres to the Milton Friedman-Sun Tzu outlook while also believing in the *karma* of corporate altruism. Good fortune charms from golden Buddhas to Hindu images remind them that only "kindness begets kindness." As successful money-makers, Asians know that greed is not good according to the teachings of the popular Eastern religions many of them adhere to, including Buddhism, Islam, and Hinduism. Asians are constantly bombarded with this message when they worship, pray, reflect, chant, or meditate in the many temples, mosques, churches, and other spiritual sites that are interspersed with their corporate skyscrapers. Moreover, many Asians believe you do not have to be necessarily religious to subscribe to any of these beliefs. After all, Asia is a mix of "theocratic-fundamentalist states" especially in parts of South Asia and Southwest Asia and more moderate religion-influenced states in Northeast Asia and Southeast Asia.

Asian spirituality and philosophy could be covertly or overtly applied to CSR-oriented business. In Malaysia, Bank Muamalat provides banking products and services to all levels of society, based on Islamic Law or Syariah, and practicing a banking concept that entails no "*riba*" (no interest). In Indonesia, the largest Muslim country in the world, the Jakarta Institute of Islamic Finance and Capital and the Islamic Chamber of Commerce ensure that member companies get involved only with *halal* (permissible) activities; they do not endorse business or investment that promotes alcohol, pork, gambling, tobacco or armaments, for example. Confucius, in his proverbs, pointed out that there is nothing wrong with obtaining wealth in the right way, as long as one proceeds virtuously thereafter. Many Hindus believe that helping people toward achieving their higher being leads one's own business to reap many benefits.

❸ **CSR requires a legal framework that promotes openness, partnerships, and democratization.** It is acknowledged that the regional business environment and philosophical underpinnings were critical to overall CSR introduction. However, reinforcing, sustaining, and monitoring changes especially to achieve CCC, could only be accomplished with policies and legislation that encouraged changes in corpo-

rate operations and human behavior. As part of a larger private sector development regional trend, international consultants, multinational companies, and development agencies worked together with Asian bureaucrats and politicians to include CSR innovations. One government-initiated move that promoted the CSR activities and interventions described above in Asia was the enactment of business-friendly legislation and laws that encouraged partnerships, openness, and a more democratic relationship between and among government, business, and civil society actors. In this legal framework, policymakers should:

○ **Recognize that CCC is both a CSR process and a CSR product**. As a process, CCC is a learned human and organizational behavior. It is especially powerful when business and community stakeholders bring physical, organizational, political, socio-cultural, and intellectual commitment. CCC begins at the national and international level with business and civil society representatives wanting to be trained and taught how to coordinate, network, collaborate, and share information. At the leadership level, it is corporate CEOs wanting to partner with NGO executive directors. It is CEOs, their board of directors, and shareholders learning to listen to and participate with executive directors, their advisory boards, and stakeholders, and vice versa. Side by side, they address health, environmental, and social development concerns. As a product, it emerges as an evolving culture of democratization, openness, and transparency. CCC is a dynamic product that is constantly innovated and replicated.

○ **Encourage trust- and confidence-building activities since they seem to be the most important components of formal CSR-CCC conceptualization and institutionalization**. Having the political will to want to work together is crucial. However, it takes a certain amount of quality time and interaction among individuals from the prospective organizations, from after-work socializing at a local bar in Manila or karaoke singing in Seoul, to picnics and joint recreational activities at a park or sports club in Jakarta or Taipei. Asians are fond of involving families in many of these trust-building activities to create even stronger and longer-lasting bonds. Beyond these informal activities, which may be difficult to put in a formal policy document, are formal business-government-civil society exchanges, conferences, workshops, and retreats which could be budgeted by firms, state agencies, and community-based organizations.

- ○ **Signal to private firms and civil society groups to factor CCC and other CSR interventions into their business models early on**. CSR should not be viewed simply as an afterthought or a temporary trend. For new private firms, it should naturally flow from their mission statements and vision, as well as from their operations, marketing, and organizational culture. Older and more developed private companies should "sell it" from the boardroom to the worker base and institutionalize it. Conversely, NGOs, PVOs, and CBOs should also learn about ways to partner with private business early on. Civil society groups must realize that, included as part of their operations, CCCs are a more powerful force towards achieving social development. However, both stakeholders have a lot of work to do.

This paper began with Confucius and now ends with Buddha's thoughts on CSR:

> *Look back at your business and life, at their end, and honestly say that the years of doing business have had some meaning. We should be able to look back and see that we have conducted ourselves and our business in a way that has had some lasting meaning and which has left some good mark on the world.*

In Asia, this would seem to be the ultimate measure of a CCC's success.

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APPENDIX 1.1

Examples of Domestic Asian Civil Society and Business Organizations with Local and Multinational CSR Partnership Components

CIVIL SOCIETY ORGANIZATIONS:
Population and Community Development Association (PDA)
Human Rights Congress for Bangladesh Minorities (HRCBM)
Shared Interest in Bangladesh
Automotive Research Association of India
Communications Information Network Association of Japan (CIAJ)
Daiwa Institute of Research (DIR)
Singapore Business and Professional Women's Association (SBPWA)
Indonesian Centre for Women in Politics
Committee for Asian Women (CAW)—Thailand
Christian Children's Fund
Japan Environmental Education Forum
Philippine Business for Social Progress (PBSP)
Catholic Bishop Businessmen's Conference (CBCP)
Nepal Forum of Environmental Journalists (NEFEJ)
Malaysian Nature Society
Pakistan Rural Development Foundation
Youth for Sustainable Development Assembly YSDA—Philippines Inc.
Wildlife and Nature Protection Society of Sri Lanka
KEHATI-The Indonesian Biodiversity Foundation

BUSINESS ORGANIZATIONS:
China Chamber of Commerce—China Exporter Net
International Executive Council (China)
Swiss-Chinese Chamber of Commerce
All India Biotech Association
All India Manufacturers Organization
All India Printing Ink Manufacturer's Association (AIPIMA)
Confederation of Indian Industry
Brewers Association of Japan
Entrepreneur Association of Tokyo
Philippine Chamber of Commerce and Industry (PCCI)
Production Management Association of the Philippines
Thai Medical Device Suppliers Association
Chambers of Commerce in Taiwan

APPENDIX 1.2

Multinational Firms Operating in Asia with CSR 'Pledges'

Adidas-Salomon AG
American Express Company
AT&T Corp.
Borders Group, Inc.
British Petroleum
British Telecommunications plc
Cable and Wireless plc
CH2M Hill Companies, Ltd.
Charles Schwab Corporation
Chevron Texaco Corporation
Cisco Systems, Inc.
Citigroup Inc.
Coca-Cola Company
Colgate-Palmolive Company
Deloitte & Touche LLP
Exxon Mobil Corporation
Ford Motor Company
Gap Inc.
Genentech, Inc.
General Motors Corporation
GlaxoSmithKline plc
Hallmark Cards, Inc.
Hewlett-Packard Company
Home Depot, Inc.

IKEA International A/S
Johnson & Johnson
Kmart Corporation
Levi Strauss & Co.
Li & Fung Limited
Maersk Sealand
Mattel, Inc.
McDonald's Corporation
Nestlé
Nike, Inc.
Odwalla, Inc.
Oracle Corporation
Peet's Coffee & Tea, Inc.
Perry Ellis International, Inc.
Pfizer Inc
Procter & Gamble Company
Shell International
Sony Corporation
Starbucks Corporation
Toys "R" Us, Inc.
Unilever

*SOURCE: Business for Social Responsibility
(BSR), San Francisco, California, USA.*

Collaboration of NGOs and Private Sector in Improving the Health of Primary School Children in Jakarta, Indonesia (1987–2004):
Managing Sustainability Through Partnership Program

By Adi Sasongko

With more than 17,000 islands, Indonesia is the largest archipelago in the world and home to more than 210 million people. It is the fourth most populated country in the world.

After proclaiming its independence from the Dutch in 1945, Indonesia experienced several political changes until President Suharto established his New Order Government in 1996. During more than 30 years under this regime, Indonesia made substantial progress, particularly in stabilizing political and economic conditions. There was period of great economic growth from 1968 to 1986, due primarily to the international oil boom in the early 1980s, giving the country more than 60 percent of its foreign exchange revenues. The drop in the price of crude oil and natural gas in 1985 forced the government to look for alternative sources of income, such as manufacturing, international trade and service industries. With these efforts, per capita income increased to approximately $1,124 in 1996, and the economy grew by nearly five percent annually. All of these successes ended in mid-1997, when the Asian economy collapsed. The value of currency decreased, and prices and unemployment increased dramatically.

In 1998, Indonesia went through its worst economic crisis and GNP growth rate dropped to minus 15 percent. At the same time, the political situation became unstable and President Suharto was ousted, beginning the reformation era. Since 1998, Indonesia has had three presidents and in July 2004, Indonesia will have a general election to elect a new president.

CSR Practices in Indonesia

Traditionally, large companies have contributed to society by donating to needy groups during natural disasters like earthquakes and

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floods, or by providing scholarships to poor students and renovating school buildings.

During the New Order Government, President Suharto used his great power to mobilize private companies to help finance a number of *yayasans* (foundations) such as Yayasan Dharmais, Dakap, Super Semar and Amal Bakti Muslim Pancasila. In 1995, he established Yayasan Dana Sejahtera Mandiri, asking large companies with a net profit of more than 100 million rupiahs to donate two percent of their net annual profit to this foundation. In 1998, it was reported that all his foundations had accumulated over 2,500 billion rupiahs. However, there were indications that the money was also used to strengthen the political power of the president and the ruling party.

Private foundations such as Yayasan Jantung Sehat (Foundation for Healthy Hearts) work closely with a number of companies to obtain financial support for heart surgeries for people from poor families and in need of heart surgery. Yayasan Kesejahteraan Anak (Foundation for the Welfare of the Children) also finds support from a number of companies for the benefit of needy children.

Pfizer Activities in CSR

In Indonesia, Pfizer Corporation also plays a key role in CSR. Pfizer's CEO, in his Performance Report for 2003, stated that his company measures its success not only in terms of its financial performance but also its ability to provide access to medicine and its performance as a corporate citizen. As part of this role in Indonesia, Pfizer has made donations to various activities. On its 25th anniversary in 1994, Pfizer announced its Pfizer Health Education Forum to provide scholarships for continuing medical education, research works and other activities. In 1997, Pfizer reported contributing 190 million rupiahs, through Yayasan Dana Sejahtera Mandiri, to help poor families.

General Health Conditions in Indonesia

The Human Development Index in 2003 ranked Indonesia number 112 out of 175 countries in the world, in part due to the health condition of the primary school children, many of whom suffer from health problems caused by infectious diseases (including intestinal worm infection) and malnutrition. These two conditions decrease their learning ability and contribute to the low productivity of human resources in Indonesia.[1]

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[1] Data from *Trends in International Mathematics and Science Study* (1999) revealed that Indonesian primary school children ranked 32nd and 34th out of 38 countries tested for maths and sciences in 1999, and 26th out of 27 countries tested for reading literacy.

Table 2.1: Health budget per capita and percentage to GDP of Indonesia and other Asian countries and Japan

Country	Health Budget /capita (US $)	Percentage to GDP
1. Brunei	490	3.1%
2. Cambodia	19	8.1%
3. Indonesia	19	2.7%
4. Laos	11	3.4%
5. Malaysia	101	2.5%
6. Philippines	33	3.4%
7. Singapore	814	3.5%
8. Thailand	71	3.7%
9. Vietnam	21	5.2%
10. Japan	2908	7.8%

Source: WHO (2002). The World Health Report

Meanwhile, degenerative diseases such as diabetes mellitus, cancer, and heart disease are also on the rise.

The resources available to overcome the challenges are limited in Indonesia, which has one of the lowest health budgets in Asia ($19/capita, or 2.7 percent of GDP, compared to $101/capita or 2.5 percent of GDP in Malaysia; $814/capita, or 3.5 percent of GDP in Singapore; and $2,908/capita, or 7.8 percent of GDP in Japan). (See Table 2.1).

Given the limited budget available for the health sector, priority is given to infectious and fatal diseases such as diarrhea, tuberculosis, malaria and dengue hemorrhagic fever, which dominate the infection pattern in Indonesia. Non-fatal diseases such as intestinal worm infections are not given priority and have not been part of the government program since 1984. As a result, the prevalence rate of intestinal worm continues to be high. Surveys conducted by the Ministry of Health and parasitologists from all over the country found that the average prevalence rate among primary school children is 60–80 percent for the three most common types of worm (round worm, whip worm, and hookworm).

Although intestinal parasite control is not a priority, there have been short-term, sporadic and minor efforts to decrease the prevalence rate. Most of these efforts were conducted at the community level, using a blanket approach in which all targets of the project were simply given treatment without any prior stool examination.

Nine years of education (up to the junior high school level) is mandatory in Indonesia. In Jakarta, there are 2,500 primary schools with 625,000 students. It is estimated that 60 percent of these schools (1,500 schools with 375,000 students) are at risk of intestinal worm infection due to lack of sanitation and poor environmental conditions. According to data from the Jakarta Health authority, the main health problems of school children in Jakarta are upper respiratory tract infection, gastro-enteritis (including diarrhea), dengue hemorrhagic fever, tooth caries, malnutrition and anemia. Intestinal worm infections are not included as the main health problem because the government health center does not perform stool examinations to identify them; yet, there is a high prevalence rate as indicated in Table 2.2.

Establishing a School-based Intestinal Parasite Control Program

Yayasan Kusuma Buana (YKB) is a non-profit health organization established in 1980. In 1981, YKB started a clinic for the middle-lower income families living in the densely populated areas of Jakarta. The clinic provided maternal and child health (including family planning) to deal with one of the principle health problems in the country: the high prevalence rate of maternal and infant death. This was one of the first NGO clinics to

Table 2.2: Prevalence rate of intestinal worms in various provinces in Indonesia during the period of 1970–1980

Province	Round worm	Whip worm	Hookworm
North Sumatera	75.0%	87.0%	58.0%
West Sumatera	71.0%	28.0%	66.0%
West Kalimantan	76.0%	90.0%	60.0%
South Kalimantan	79.0%	83.0%	65.0%
Central Sulawesi	52.0%	38.0%	55.0%
Papua	77.4%	72.9%	73.4%
West Java	90.0%	91.0%	67.0%
Central java	73.1%	45.1%	23.2%
Jogjakarta	84.6%	90.8%	52.1%
Bali	91.3%	89.9%	54.8%
NTB	92.0%	84.0%	25.0%

Source: Margono (1989)

initiate fee-charging family planning in Indonesia. The government later adopted this program in 1993, calling it Self-reliant Family Planning, and other clinics followed its success. Currently, YKB manages a total of six clinics, the most recent opened in 2003.

The middle-lower income families targeted by YKB clinics live in densely populated areas of Jakarta with poor sanitation and environmental conditions. As a result, the prevalence of intestinal worms was very high. A survey, conducted by YKB in 1986, found that the prevalence of parasite infection in one primary school located near a YKB clinic was 82.5 percent. This was reported to the government health and education authorities; and in 1987, based on the findings of the survey, a school-based intestinal parasite control program was started.

As an NGO focused on family planning in Indonesia, YKB also collaborated with a number of family planning/health NGOs from various countries. One is JOICFP (Japan Organization for International Cooperation in Family Planning). From this collaboration, YKB learned that intestinal parasite infections were also a principle threat in Japan after the Second World War. The founder of JOICFP established a school-based intestinal parasite control program and successfully overcame the problem.

Based on the successful model implemented in Japan, in 1987 YKB then established a school-based intestinal parasite control program. The previous efforts to control intestinal parasite infection were conducted as community-based programs and not as school-based programs. Therefore, YKB's program, started in 1987, was the first school-based intestinal parasite control program in Indonesia. In collaboration with JOICFP, YKB received technical and financial assistance from JAPC (Japan Association of Parasite Control, a sister organization of JOICFP) during 1987-91. The program emphasized health education activities for students, teachers and parents, to explain the problem of parasite infections, their impact on the health, nutritional status and learning ability of children, and the importance of personal hygiene and sanitation to prevent such infections. This was followed by regular, semi-annual stool examinations to identify infected students, using the Kato technique recommended by the World Health Organization (WHO). Students infected by worms were subsequently treated. Twice-a-year stool examinations are still conducted due to the high re-infection rate. To enable this regular stool examination, YKB gradually established a large laboratory with assistance from JAPC. From the start of the program, for each student, parents contributed Rp. 1,000/year ($ 0.60 in 1987) to cover examinations and treatment.

In implementing this program, a tripartite collaboration was established between YKB as a NGO, academicians (parasitologists) from

Table 2.3: Pfizer financial support to YKB

Year	Pfizer support (Rupiahs)
1992	17.000.000
1993	17.000.000
1994	28.500.000
1995	79.796.000
1996	81.349.500
1997	103.475.000
1998	138.600.000
1999	46.250.000
2000	86.460.000
2001	129.792.500
2002	123.740.000
2003	244.337.500

Note: including the rupiahs value of IEC materials

the Medical School of University of Indonesia and the Jakarta Health and Education authorities. The parasitologists provided initial basic training and technical assistance to YKB staff and make use of the data generated from this program to publish scientific papers.

During the first four years of this program, financial support was given by JOICFP, including the budget to buy anthelmintics. In 1991, the support was terminated and YKB has since sustained the program until today. Pfizer was aware of the activities of this program from media publicity; and in 1992, on Pfizer's initiative, a partnership was established. In this collaboration, Pfizer gives YKB a discounted price for the anthelmintics needed to cure the worm infections, provides the plastic containers and envelopes for stool collection and the financial support to conduct health promotion activities such as school competitions, drawing and essay writing competitions. The financial support from Pfizer (excluding the discounted price of the anthelmintics) for 1992- 2003 has increased year by year and the total amount over the whole period comes to more than one billion rupiahs.[2] (See Table 2.3).

Results of the Program

With the support from Jakarta health and education authorities, the program was able to gradually increase its coverage. Starting with 34 schools in 1987, in 2003 it covered 657 schools with 175,000 students. Since 1997, the program has been expanding its activities to serve a number of primary schools in the fishing community on Seribu Island, in the bay of North Jakarta.

In line with the increased coverage, the program has gradually decreased the prevalence of intestinal worms from 78.6 percent in 1987 to 8.4 percent

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[2] (Rp. 1,096,300,500 = $128,976 at Rp. 8500/US$)

in 2003 (Figure 2.1). For the same period, the average rate of intestinal worm infection among school children in Indonesia is 60-80 percent.

Until 2003, the government did not provide financial support to the program and the parents' contribution was not enough to cover all of its expenses, making the support from Pfizer crucial for sustaining its development.

In 2002-05, YKB is receiving support from Japan International Cooperation Agency (JICA) to expand its coverage in Jakarta and replicate it in other cities (Jogjakarta and Denpasar). Combined with the small support from Pfizer, YKB has also decided to expand to Semarang, in collaboration with the local health NGOs in these three cities.

Advocacy to government has consistently been conducted throughout the duration of the program. Unfortunately, until 2002 the government did not provide financial support to this program. One of the reasons was the efforts by the government health center to conduct the same activity. Unfortunately this government program was not supported by good management and skilled technicians to conduct and manage the mass stool examination laboratory; and government program on school-based parasite control was discontinued in 1998.

In April 2003, the health authority in North Jakarta decided to officially assign YKB to conduct an intestinal parasite control program in 100 schools. It was successfully implemented and its continuation is being discussed.

In 2004, the Government of Jakarta finally recognized this program. YKB has submitted a proposal to get government assistance to expand its activities in Jakarta. The proposal being reviewed includes additional laboratory equipment (such as binocular microscopes and freezers), educational equipment (such as LCD projectors and a sound system) and transportation facilities (such as a van and motorbikes).

Problems Encountered

The New Order Government of Suharto was an authoritarian regime that considered many NGOs to be opposed to the government and a threat to political stability. During this period, many government officials ignored the role of NGOs or even accused them of being the "public enemy." With this systematic stigmatization, working in a NGO was quite difficult. Continuous efforts and strong determination to work effectively were needed to gain the confidence of the community.

On another front, attention to the effects of worm infections was given low priority due to their non-fatal nature. The priority and the bud-

Figure 2.1: Declining prevalence rate of intestinal worm infection among primary school children in Jakarta (1987–2003)
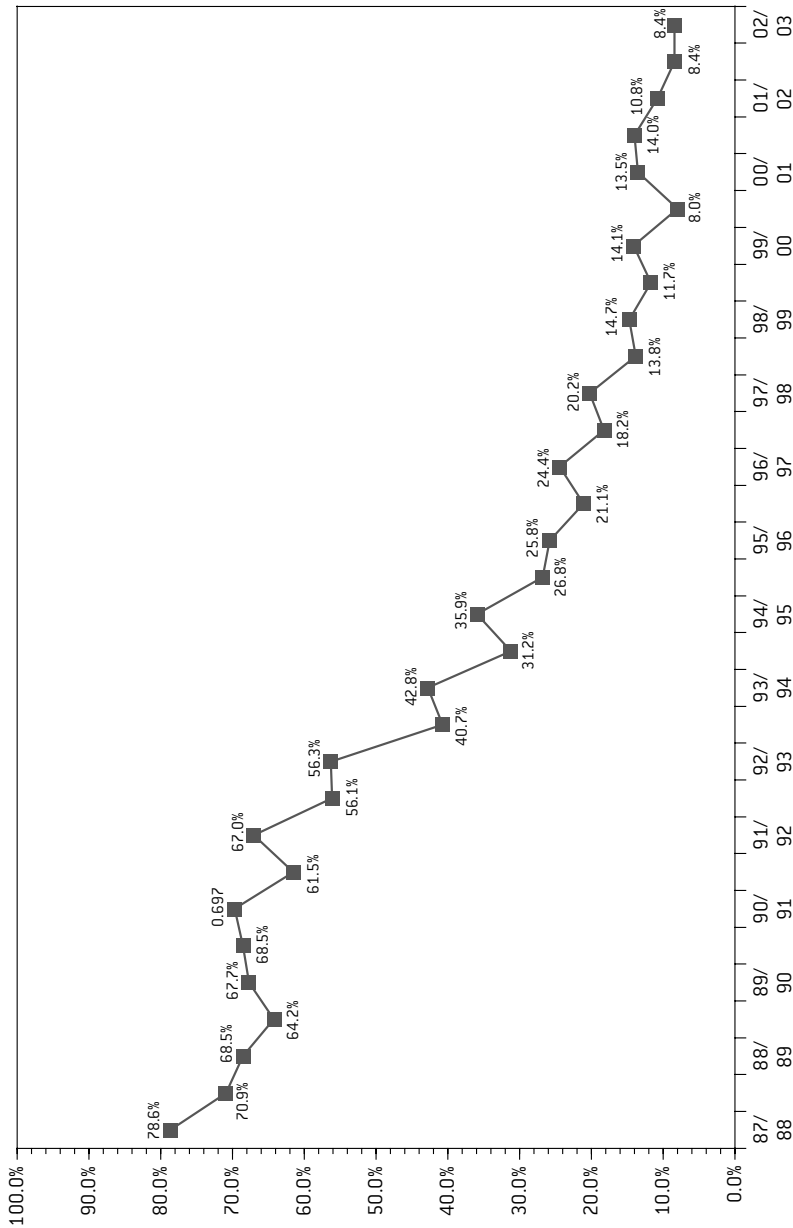
get were given to fatal diseases such as malaria, tuberculosis and dengue hemorrhagic fever. Parasite infections were considered important but not urgent, since infected students were still able to attend school.

The different approaches taken by YKB and by the government caused another problem for the YKB program. YKB implemented a screening-based system (based on successful experience in Japan). The government, however, used a blanket approach in which school children were given anthelmintics without any stool examinations prior to treatment. YKB did not agree with this approach because it is more expensive in the long term, since anthelmintics are distributed to all students regardless of their infection status. In a screening-based approach, drugs are given only to infected cases. In Jakarta, the government health authority is supporting the approach used by YKB, despite the Ministry of Health's policy. Also, in a nation-wide project started by the central government in 1996, anthelmintics were given twice a year to nearly 10 million school children. A number of schools in Jakarta were also included in this project. This situation created confusion between schools working with the YKB approach and schools applying the government approach.

It has been difficult to promote regular stool examinations because there has been no regular health examination systematically programmed by the government. Unlike many developed countries (such as Japan) where school children are accustomed to having regular health checkups, Indonesian school children are not accustomed to such examinations. Also, many government health programs emphasize curative measures rather than prevention.

Beyond Parasite Control

Working regularly with the school community increases contacts between YKB staff and teachers. During visits to schools, some teachers asked questions about pap smears. Many teachers had heard about them, but did not have details. YKB responded to their inquiries by providing health education on pap smears for teachers and offering them pap smear examinations immediately after the health education sessions. YKB clinics have also been promoting this in the communities surrounding its clinics. YKB clinical staff, in conjunction with local women's organizations, have conducted meetings at mosques or at the homes or offices of local community leaders. During the meetings at schools or in community buildings, YKB clinical staff brought portable overhead projectors, showing slides on cervical cancer and anatomical displays of reproductive organs to explain the importance of pap smears.

Organizing education and pap smear exams for teachers was easier than working with the women's organizations, since the teachers were well educated and easily understood the importance of health checkups. Also, they earned their own income, enabling them to make their own health decisions, unlike many housewives who are dependent on their husbands.

Through regular contacts with the teachers, YKB identified that there were some needs with regard to improving the quality of teaching and their knowledge and understanding of certain health issues. YKB proposed to conduct regular one-day seminars for teachers to discuss health and education issues. The teachers quickly supported the idea. Since 1993, YKB has been able to organize 30 one-day seminars, supported by fees teachers pay to attend them. Prominent resource persons discuss educational issues, teaching methodology and current health issues. The seminars were found to be very useful and an average of 250 teachers participated in each one.

During 2000-2003, YKB collaborated with Ajinomoto Inc. (Tokyo) to develop a model for solving the problem of anemia and under-nutrition among primary school children in Jakarta. The examination of more than 15,000 blood samples taken during this project revealed the high prevalence of anemia among school children, which studies show affects their physical and learning performance. This project has been able to develop a cost-effective model for controlling anemia and improving nutritional levels. Advocacy work is now going on to create awareness of this problem and the need to have school-based programs to overcome anemia and under-nutrition.

Ajinomoto Inc. (Tokyo) learned about YKB activities with primary school children from JOICFP, which had worked with YKB in establishing the primary school-based parasite control program. Ajinomoto provided assistance to YKB as part of its global corporate social responsibility program. After examining the positive results of this project in relation to its vision and mission as a food company, Ajinomoto is researching a possible extension of this innovative project. The support from Ajinomoto was used by YKB to develop a model to improve nutrition and reduce anemia among school children. Previously there had not been a systematic and sustainable program to overcome these problems. The collaborative work between YKB and Ajinomoto is the first of its kind in this field in Indonesia and the results have been very encouraging. In 10 pilot schools with 2,864 students in Jakarta, anemia decreased from 35.1 percent in 2000, to 4.4 percent in 2002. In another 13 pilot schools with 3,160 students, anemia decreased from 49.5 percent in 2000, to 6.3 percent in 2002.

YKB has also been working, since 1993, with many private companies in activities to prevent HIV/AIDS in the workplace. Statistics from the Ministry of Health showed that more than 80 percent of HIV/AIDS cases in Indonesia are in the productive age group of 20-49 years. The first case of HIV/AIDS in Indonesia was reported in 1987 and since then HIV/AIDS has spread throughout the country. Despite the prevalence of risk factors for an HIV/AIDS epidemic (the sex industry, intravenous drug use and low condom use), the reported number of HIV/AIDS cases is still low. This makes many people unaware of the potential problem. In particular, many people in the business community are unaware that most HIV/AIDS cases are among working age people—the backbone of the economy.

At the start of this program, YKB worked with companies such as Unitex (textile company), National/Panasonic Gobel and Matsushita Gobel (electronic companies), Levi Straus (jeans company) and Nike (shoe company), training managers and workers in AIDS prevention. Initial support was provided by PATH (Program for Appropriate Technologies on Health). Collaboration with the Indonesian Employers Association was also established to facilitate the activities with the business community.

At the time, YKB was the only NGO working on this issue, due to the low awareness of AIDS among NGOs and the business community. In 1997, YKB, in collaboration with the Indonesian Employers Association (Apindo) began giving an AIDS Award to companies that provide their workers with training and education on AIDS prevention. In 2000, this activity started to receive support from the Joint United Nations Program on HIV/AIDS (UNAIDS) Indonesia. In 2002, YKB gained assistance from the United States Agency for International Development (USAID) support project on AIDS (Aksi Stop AIDS/ASA) to expand the activities throughout the business community and to train other NGOs. In 2003, ILO Indonesia started its new labor-focused AIDS prevention program and started to collaborate with YKB and ASA to raise awareness among the business community. To date, YKB has reached nearly 200 companies (with an estimated of 250,000 employees) in Indonesia with training and education on AIDS prevention. Until 2004, 30 companies had received the award, including big companies such as Freeport (mining company), Krakatau Steel (steel company), Gajah Tunggal (tire company) and Standard Chartered Bank.

When YKB started this program in 1993, it had no support from funding agencies. The first support was provided by PATH in 1995, through a grant from the Gates Foundation. UNAIDS started to provide support

in 2000 and USAID in 2002. With this assistance, YKB provides training and education to companies free of charge but in return, the participating companies contribute time and facilities to conduct the training and its follow-up activities.

To sustain its activities, YKB has begun charging a fee for its services to companies, starting with Gillette in 1994. Other companies, including Krakatau Steel (2003-04) and Panasonic Manufacturing Indonesia (2004), have gradually followed this scheme.

After advocating the issue of AIDS prevention in the workplace for many years, and with strong support from funding agencies such as USAID, ILO and Australian Agency for International Development (AusAID), in April 2004 the Ministry of Manpower finally issued a decree on AIDS prevention in the workplace. This decree requires that companies in Indonesia establish activities in their workplace to prevent the spread of AIDS and must not discriminate against workers with HIV/AIDS. This is a milestone in AIDS prevention in Indonesia, making it likely that more companies will become actively involved.

Lessons Learned

YKB's school-based program to treat school children with worm infections was one of the first non-community based approaches to this problem. Most health programs in Indonesia were community-based, very few were school-based, and a few were factory-based (for example, a mining company in West Sumatra and rubber and tea plantation in West Java). Throughout this program, YKB has been able to conduct regular stool examinations and educate the community to use anthelmintics selectively (only with infected children). By conducting regular laboratory examinations, data on the prevalence rate of intestinal worm infection has been regularly generated. This data has also been used by academics to publish scientific papers in conferences in Indonesia and in other international meetings. By analyzing the data, a new and better understanding of intestinal worm infections and ways to control them have been shared by academics and parasite control experts in Indonesia and abroad.

After starting with the parasite control program, the school community then realized the importance of other health concerns such as pap smears, anemia and nutrition. YKB's presence in a vast network of primary schools was utilized to initiate a school-based pap smear program (for female teachers) and anemia control and nutrition improvement program for school children. School is an institution where new generations are educated to be the future leaders of the country, making innova-

tive efforts to develop school-based health programs easily accepted in the school community.

Long-term collaborations between NGOs and private companies are not common. CSR often takes the form of sporadic, short-term activities, such as fellowships, donations or renovating school buildings. These activities are often PR-oriented, conducted as part of the anniversary celebration of the company or during outbreaks or natural disasters, such as floods or earthquakes.

The YKB-Pfizer collaboration is a win-win long-term solution. By putting the name of its product on the envelope of the stool container distributed twice a year to students, Pfizer promotes its product (Combantrin) to the school community, including parents and teachers. When students bring the plastic container home for stool collection, family members see it and are exposed to the product. Many teachers are also community leaders and through the exposure of Pfizer's product at school, they become aware of the availability of Pfizer's medicine: Combantrin. The fact that YKB, as the collaborating partner, has been able to sustain the program for an extended period, has established brand awareness and brand loyalty. For most of the parents and teachers, the terms anthelmintic and Combantrin mean the same thing.

For YKB, the support from Pfizer is very important because parents' contributions were not enough to cover the cost of the program, due to the lack of support from the government. However, YKB does not act as the marketing wing of Pfizer in promoting Combantrin. Since the start of this program, the treatment has not been provided in a blanket fashion, but only to infected children. YKB promotes regular stool examinations and educates the school community to use the drug rationally. This win-win partnership is attained since both parties have been able to achieve their objectives. Pfizer has been able to create brand awareness and brand loyalty for its product (Combantrin) and YKB has been able to sustain a control program to decrease the prevalence rate of intestinal worm infection. A win-win partnership like this should be the basis to sustain corporate social responsibility programs.

From the CSR perspective, collaboration with Pfizer is in line with Pfizer's business policy. As stated by Dr. Hank McKinell, Pfizer's CEO, the company measures its business by three key standards: financial performance, ability to increase access to health care and corporate citizenship. Through the school-based parasite control program in Jakarta, Pfizer has consistently and successfully implemented two key parts of their business philosophy: increasing access to health care to primary school children in Jakarta, and good practice of corporate citizenship.

YKB's work with Ajinomoto Inc. (Tokyo) is also an example of how Ajinomoto's vision and mission as a food company is in line with the nutrition program conducted to improve the health of the school children.

YKB has been working with various companies on AIDS prevention in the workplace. Starting as a small initiative by YKB in 1993, this program has since become a national program after the Ministry of Manpower officially issued a decree to promote AIDS prevention in the workplace. Funding organizations, such as USAID and AusAIDS and international agencies such as UNAIDS and ILO, have also supported YKB's initiatives.

YKB's continuous work with companies shows that collaboration between NGOs and private sectors is feasible and potentially sustainable. As an NGO, YKB has expertise in working for social causes by "educating people how to fish instead of only supplying fish." Companies have resources to help the community but may not have the expertise to properly and continuously facilitate its development. Collaboration between NGOs and private sectors will foster partnership to help the community help itself. YKB is an example of a professional NGO that helps companies strengthen their human resources to protect themselves from the AIDS epidemic; it is a facilitator focused on essential health issues of school-aged children, and an organization that responds to the needs of educational professionals.

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Investing in Social Responsibility:

Corporate-Community Engagement in Cebu City, Philippines

By Francisco A. Magno

The current drive to widen the practice of corporate social responsibility (CSR) in the Philippines is prompted by strong civil society advocacy and the weak state of public finances. These pressures occur in the context of continuing poverty in the country, which affects 28.4 percent of families.[1]

The population continues to grow rapidly at an annual rate of 2.1 percent and, in 2004, is estimated to have reached 84.2 million. Runaway population growth, paired with perennial budget deficits, can take a heavy toll on the government's capacity to fund the delivery of vital infrastructure and social services for the poor.[2] While reforms are being pursued to strengthen integrity and performance systems in public revenue and expenditure management, the government is also encouraging business firms, through their CSR portfolio, to participate in addressing the financing gap in social development.

The early signs of CSR in the Philippines appeared in the 1950s, in the form of corporate philanthropy through donations made to churches, orphanages, hospitals and other welfare institutions. Corporate philanthropy gained policy support in 1958, when the National Science Development Board was mandated to certify contributions to social development that can be deducted from the taxable income of business firms. This measure encouraged the formation of corporate foundations. However, it was in the 1970s that firms started to view CSR as a strategic imperative.

Amid the explosion of social unrest in the late 1960s and early 1970s arising from deepening economic problems, key leaders within the business community held discussions on how the private sector can best invest in social development activities that promote the well being of the nation. In 1972, around fifty firms pledged to allocate an amount for

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[1] The annual per capita poverty threshold was pegged at PhP11,906 ($231.50) in 2002, based on an average peso-dollar exchange rate of US$1 = PhP 51.429 in 2002.

[2] For 2002 alone, the government budget deficit was placed at PhP 212.68 billion (US$4.14 billion).

social development equivalent to one percent of the preceding year's net profit before income taxes. Of this amount, twenty percent was channeled to a common social development foundation named Philippine Business for Social Progress (PBSP).

PBSP pioneered the promotion of the community development approach to CSR with a focus on strengthening corporate-community relations and building empowered communities. Three decades after its birth, PBSP now has 180 companies in its membership roster. In 2003, membership contributions amounting to PhP 42.61 million ($786,118) were used to leverage PhP164.17 million ($3.03 million) from donor agencies and corporate benefactors.

This paper will examine the impact of CSR activities in generating improvements in resource management and development in selected upland *barangays* (villages) in Cebu City. It will look into how a community development approach to CSR was pursued through the partnership between PBSP, the Aboitiz Group of Companies, and the city government, to implement the Cebu Hillyland Development Program (CHDP). This case was chosen because of the comprehensive nature of the development strategy adopted, as well as the multiple partnerships created. The program is a showcase of community organizing, multi-stakeholder participation and appropriate technology. In 2003, a third of the households in the target communities registered incomes above the poverty threshold.

The Context

Cebu City is the main growth center of the island province of Cebu, which lies to the east of Negros Island; to Cebu's east is Leyte and to its southeast is Bohol. Cebu City is the main commercial, industrial and transport hub of the island and of the islands of the Visayas and northern Mindanao. Home to one of the country's major international air and water ports, the city already has an established track record in foreign direct investment in the manufacturing and tourism sectors, export and trade business, marine industries, agro-products, mineral resources and processing industries.

Cebu City has a total land area of 279.45 square kilometers and a population of 718,821 persons. It has an average population density of 2,572 people per square kilometer, which is mainly comprised of urban areas. The intense human activities in the area have put a great strain on Metro Cebu's water supply in recent years, and forestlands are threatened by increasing population, increasing demand for agricultural land, and speculation for other land uses. Concerns have been raised that pesticide residues may be contaminating Cebu City's water supply at the headwater.

Based on a 1996 Metro Cebu Water District projection, the water demand of 269,000 cubic meters per day will double by 2025. Beyond 2016, the water supply will no longer be sufficient to meet demand.[3] The principal watershed areas of Central Cebu include the Mananga Watershed Forest Reserve in Talisay City, the Kotkot-Lusaran Watershed Forest Reserve, the Buhisan Watershed Forest Reserve, the Central Cebu National Park in Balamban and the Sudlon National Park.

The Central Watershed areas and coastal aquifers are the primary source of the city's fresh water. However, water tables are declining due to the over-extraction of underground water by unlicensed pumping of wells not monitored by the National Water Resources Board, and the loss of forest, whose roots contribute much to the water table levels.

The early 1980s saw the emergence of Cebu City as a dynamic growth center in the Philippines, with new high-rise commercial buildings, residential subdivisions, and tourism sites. The influx of investments attracted people from nearby provinces, but Cebu's rapid urbanization is impeded by severe topographical constraints. Cebu City has a total area of 32,880 hectares, of which 27.7 percent is already classified as a highly urbanized area. However, the rural areas of Cebu City are mostly classified as uplands or hillylands. Only 7.4 percent of the rural areas are classified as lowland.

Topographical concern is not the only issue that accompanied the rapid growth in Cebu City. It is also faced with a growing shortage of water arising from serious forest denudation and soil erosion. came out with his pet project, The name of the barangay came from the Cebuano word "sinsin" which can be traced back during the Spanish occupation. The chieftain known as Don Leon Kilat who fought against the Spaniards with Lt. Rafael Tabal, a guerilla leader used to inform the civilians to hide in "sinsin" (means "in group") in a certain place. This term became popular among the rebelling Filipinos in the area that always formed a group to fight and hide against the Spaniards. Later on, this usual way of hiding became the name of the area in which they used to hide. The total land area of the barangay is 1,293 hectares. It is about 28 kilomenters from Cebu City with very rough roads from Tabunok. Barangay Sinsin is composed of 9 *sitios*[4] namely, Kabiabsan, Alfagate, Nangka, Rac-ac, Udlom upper, Udlom lower, Latawan, Loblob and Sinsin proper.

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[3] Philippine Canadian Environment and Economic Management. "Cebu stakeholders prioritize watershed-related issues."Retrieved 23 April 2004 from http://www.pceem.org/forum1ab.html

[4] *Sitios* are districts of a barangay, composed of a maximum of 500 inhabitants. If they are larger, they can be made into separate barangays, as stated in the Barrio Charter Act of 1962 (RA 2370). Note that Barrio is another term for Barangay.

The main source of livelihood of the people in the barangay is farming, with an average annual income of P11,350.40. This comes from the production of vegetables (tomatoes, bell pepper, beans, and so on), livestock such as goats, cows, pigs and chickens, and the production of mango, coconut, banana and corn. The total population of Barangay Sinsin is 2,305, with a total of 491 households. There are 1,244 females and 1,061 males, with an average of five household members and a population density of two persons per hectare.

Description of the Program

This section will evaluate how the PBSP partnered with the Aboitiz Group of Companies in implementing a series of interventions embodied in the Cebu Hillyland Development Program (CHDP). The Area Resource Management strategy developed by PBSP was used to improve organizational, socio-economic and environmental systems in mountain *barangays* (villages).

CCHDP, funded by a loan agreement with the World Bank, is a product of the Central Visayas Rural Project that sought to provide a development strategy for Cebu's neglected rural barangays.[5]

The key partner of PBSP in this effort is the Aboitiz Group of Companies. It is one of the country's largest conglomerates, with interests in energy, shipping, banking and real estate. The firm is identified with two foundations—the Ramon Aboitiz Foundation Inc. (RAFI) and the Aboitiz Group Foundation Inc. (AGFI). Roberto Aboitiz, CEO of Aboitiz Land Inc., is a member of the Board of Trustees and Executive Committee of PBSP. In 1966, Ramon Aboitiz, father of Eduardo, endowed shares of his personal stock to establish RAFI as a way of giving back to the communities that have played a significant role in the growth of the Aboitiz business conglomerate. RAFI is a foundation dedicated towards improving

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[5] The CCHDP Ad Hoc Committee was created with Mayor Tomas Osmena as the chairperson; Mr. Santiago Academia as Program Manager; and Dr. Florendo Zablan as the consultant. The members of the ad hoc committee include counselors representing committees on Infrastructure, Agriculture, and Barangay Affairs, Association of Hillyland Barangay Captains, Department of Agriculture, Department of Environment and Natural Resources, RAFI, San Miguel Corporation, Atlas Consolidated Mining and Development Corporation, and PBSP.

The committee has four components comprising Human Resource Development, Infrastructure, Agriculture and Administration. The Human Resource Development team was assigned to handle community organizing in the barangays, while Infrastructure team was in charge of conducting surveys for the feasibility of farm to market roads. Likewise, the Agriculture team was to conduct lectures on upland technological innovations, and the Administration team took care of the logistics.

the quality of life of poor communities. It espouses participatory and people-centered development. Its activities focus on gender, environmental sustainability, livelihood development and local governance. Currently, overall management of the foundation is in the hands of Roberto Aboitiz, a third-generation member of the Aboitiz clan.

AGFI, meanwhile, started its operations in 1988 as the Aboitiz Group of Companies' response to social and civic responsibility. Education is the main thrust of AGFI and it continues to support the public school system by constructing classrooms and science laboratories for public schools in areas where its companies operate. Its computerization program has been AGFI's biggest program since 1999. It was able to donate a total of 71 computer units with printers to public schools in the province of Cebu. Erramon Aboitiz, another third-generation member of the Aboitiz clan, serves as the president of AGFI.

While RAFI serves as the family-based foundation, AGFI acts as the social development arm of the Aboitiz Group of Companies. Aside from having two foundations, the Aboitiz Group of Companies is consistently among the top five contributors to PBSP. Eduardo Aboitiz was a founding member of PBSP in 1970.

In 1987, the Visayas Regional Operations of PBSP were reactivated in Cebu after a lull during martial law. Wanting to stage a grand comeback, PBSP, under the chairmanship of Erramon Aboitiz, engaged in consultations with the city government to identify areas in which they could assist, leading to an engagement with the Cebu Hillyland Development Program. According to Mr. Aboitiz:

> We needed to get the local business community involved or interested in PBSP and social development. The hillylands project of the city government was the impact program we were looking for. I, personally, thought that business and government could do a lot together, as partners in development (Pavia 1998). At present, PBSP Visayas Regional Operations has 28 Cebu-based member companies.

Initially, the city government envisioned the CHDP as mere reforestation or tree planting activities. However, PBSP and the city government visited the barangays and witnessed the lack of toilet facilities, water and medical services in the area. Initial findings of the PBSP survey indicated that the people in the communities had more immediate needs than planting trees. They wanted to be able to send their children to schools close to home, to have better access to a doctor when they were sick and earn higher incomes.

Given the circumstances, reforestation was immediately put off and five major components were identified: community organizing, basic social services, technology development, enterprise development and reforestation.

PBSP committed to support the Cebu Hillyland Development Program from 1989 to 1996, in three phases: Phase 1 involved fundraising and mobilizing resources for the uplands; Phase 2 took on technical and managerial help for community enterprises; and Phase 3 engaged businesses to take a stand for community land tenure and watershed protection.

After a series of consultations, PBSP decided to adopt (or focus development efforts) on three barangays: Sinsin, Sudlon I and Sudlon II. The city government adopted 19 barangays while the Department of Agriculture took in 8 barangays. Other NGOs declined to adopt barangays but pledged to support the program through livelihood and technology support. Adoptive institutions (PBSP, Department of Environment and National Resources (DENR) and Cebu City government) have the responsibility for the implementation of the Cebu Hillyland Development Program in their respective adopted barangays.

The barangay is the smallest political unit. The powers and functions of the barangay are articulated in the Local Government Code of 1991 or Republic Act 7160. Although recognized as the basic unit of government since the time of colonization, it was not until 1991 that barangays enjoyed more than administrative powers in governing their respective territories. The Local Government Code recognizes the barangay as the basic political unit that will handle project planning and implementation and raise funds for such purposes. This fiscal autonomy of the barangays after the passage of the LGC distinguishes it from previous decentralization efforts. The Local Government Code likewise recognized the importance of non-government organizations (NGOs) and people's organizations as important stakeholders in barangay governance.

There are about 42,000 barangays spread across the Philippine archipelago, and continue to increase as the process of decentralization continues. The barangay serves as the primary planning and implementing unit of government policies, plans, programs, projects and activities in the community. It also serves as a venue for the expression, gathering and articulation of the views of its residents and has the authority to resolve conflicts through the barangay justice system. It is composed of an elected barangay chairperson/captain and seven elected councilors or "kagawads" which comprise the barangay council, an appointed treasurer and secretary, and an elected Sangguniang Kabataan Chairperson that sits as the eighth member of the barangay council. Seven other young mem-

bers of the community are elected as councilors in a separate but parallel Sangguniang Kabataan. The barangay chairperson and kagawads serve for six years and can be elected only for three consecutive terms.

To support its operations, the barangays receive 20 percent of the Internal Revenue Allotment from national taxes, 50 percent of the collected community tax, and 30 percent of real property taxes, which are distributed among the barangays. Aside from these traditional sources of barangay funds, it also has the power to raise taxes and fees on its residents and businesses, enter into contracts, and receive development aid from both local and foreign sources. This fiscal autonomy is a marked improvement from previous decentralization efforts. Historically, the formation of the barangay (or *barrios* during the pre-martial law period) served to establish state control over its territories by giving local government units administrative powers but not fiscal autonomy. The heavy reliance on the central government's funds for development projects placed the barangay at a patrimonial type of relationship with the central state.

Presently, there are two Barangays known as Sudlon. These are barangays Sudlon I and Sudlon II. Barangay Sudlon I is 35 kilometers from Cebu City. It is to the south-west of Cebu, with a total land area of 1,347 hectares. It has ten sitios. The total population is 1,656 people in 276 households, with an average of six family members.

Twenty five percent of Sudlon I land area is dedicated to farming. It is known as the "*Vegetable Center of Cebu City*" and is the source of tomato, corn, squash, string beans, gabi, camote, and mango for the city. They also have livestock production and a few people are engaged in small business.

Sudlon II has an area of 2,613 hectares and is 32 kilometers from Cebu City. It has 15 sitios. The terrain of Sudlon II runs from hilly to mountainous, at 800-900 meters above sea level. The area is classified as Timberland–National Park. The current population of Sudlon II stands at 2,332 people. There are 722 households with an average of six persons each. Seventy percent of the people are farmers and about twenty percent are businessmen or self-employed, while the rest are employed in government or private institutions.

All three barangays have protected area status as identified in the National Integrated Protected Areas System (NIPAS) Act of 1992. Among the three barangays, Sudlon II has the largest area covered by NIPAS (94 percent), followed by Sinsin with 89 percent and Sudlon I with 70 percent.

The NIPAS Act emphasizes the importance of protecting and maintaining the natural biological and physical diversities of the environment, notably in areas with biologically unique features to sustain human life and development, as well as plant and animal life.

Table 3.1: Barangays Within NIPAS Areas

Barangay	Area Coverage (Has)			
	Inside NIPAS	Percent	Outside NIPAS	Total Area
Sinsin	731	89	90	821
Sudlon I	908	70	384	1292
Sudlon II	2501	94	166	2667

Source: Participatory Land Use Planning (PLUP), 1998

Prior to that, Presidential Proclamation 56 in 1936 had set apart and designated the Sudlon National Park, a parcel of public domain situated in the City of Cebu, for park purposes and for the benefit and enjoyment of Filipinos. The park serves to balance the loss of natural space due to the rapid urbanization in the city.

Process

The study site was the setting for bitter resource conflicts. For two decades, real estate developers had staked their claim on the ownership and use of lands occupied by the upland farmers. In this case, PBSP sided with the farmers and confronted land developers' threats to convert the watershed into a golf course. Eventually, a legal ruling sided with the farmers.

Phase I (1989–1992): Fundraising and Mobilizing Resources for the Uplands

The Cebu Hillyland Program became a model for active membership involvement for PBSP. Getting business to participate was difficult at first, but PBSP Visayas Executive Committee chairperson Erramon Aboitiz set the ball rolling by getting his own company involved.

In 1990, PBSP initiated the "Adopt-a-Hectare" scheme aimed at saving the Cebu Hillyland by establishing nurseries for seedling production and maintaining the reforested area. Companies can adopt a hectare by providing a monetary contribution equivalent to the cost of planting and maintaining trees for three years. One hectare costs PhP 25,000 ($500).

According to Caridad Rivera-Corridor, Senior Manager of PBSP Visayas Regional Operations, farmers in the three barangays were hesitant at first to allocate at least one hectare for the "Adopt-a-hectare" scheme:

It is understandable since farming is their primary source of livelihood and every hectare of it counts. Nevertheless, after series of discussions regarding the merits of the program, the farmer groups decided to embrace the program. Although, they can only give so much since they also have to use the remaining for farming.

On the other hand, business communities showed unwavering support to the program. More than 60 companies participated in the campaign and gave a total of P977,400 for reforestation alone. Following the success of the "Adopt-a-Hectare" scheme, PBSP decided to go further: through the "*Reforestation Caravan,*" company employees and sometimes CEOs get to do the actual tree planting on weekends. Companies who had adopted a hectare likewise encouraged their employees to join the caravan, which has become a regular activity for the Cebu-based Aboitiz companies. On average, they send one hundred employees on each caravan. The companies adopted almost 2.5 hectares from PBSP and have since then used it as their tree-planting site. Mr. Augusto Carpio III, Executive Vice President of Aboitiz Group Foundation Inc., said:

Often times, it is the employees that come up to me and request for a tree-planting activity. I tell them, go organize yourselves and I'll handle the budget for the transportation, food, and seeds to be planted.

As of September 2002, 2,213.60 hectares had been reforested through the initiatives of the PBSP-assisted community-based organizations.

In 1991, PBSP launched the "*Hillyland Christmas Card*" project. The objective of the activity is to increase awareness about the environment and raise funds for the adopted barangays. This project involves children in a drawing contest that is judged by representatives from the business sector. The winning drawings are featured on Christmas cards sold to the business communities. The cards come with a return slip that allow the recipient of the card to have a tree planted in his or her name.

Phase II (1992–1994): Technical and Managerial Help for Community Enterprises

The majority of the areas in the adopted barangays are dedicated to farming. When PBSP first arrived, farmers were having difficulty selling their products because they lacked the technological know-how, enterprise skills and credit facilities.

During that time, farmers only planted tomatoes all year round. Come harvest and market time, tomato prices went down and farmers

had no choice but to sell their products at low prices—even lower than the break-even point.

The farmers also lacked appreciation for the value of reforestation or preserving the environment. They saw the vastness of the forest as a means for them and their families to stay alive. Cutting trees was simply a source of livelihood for them.

The first thing that PBSP did was to organize cooperatives in the adopted barangays, providing training on contour farming, inter-cropping and crop rotation. Farmers were introduced to high-value crops like bell pepper, cabbage, carrot and celery. They taught inter-cropping instead of just planting tomato, were trained to implement contour farming to prevent soil erosion, and organic farming technology using vermin, farm and household wastes. At first the farmers were reluctant to plant other crops than tomatoes, but after seeing the output of the two demonstration farms set up by PBSP in each barangay, their hesitations vanished.

PBSP also coordinated exposure trips for farmers to Laguna, Davao, and Benguet. This let Cebu Hillyland farmers meet other farmers from other parts of the country to exchange ideas and techniques on how to improve their production. This activity also provided the farmers with on-the-farm training and experiences. As of September 2002, 8,507 households had participated in various training sessions conducted by PBSP in the adopted barangays.

Dindo Pagatpat, President of Sudlon II Farmers' Livelihood and Training Service Foundation (SUFALTRAS), explained that the demonstration farm created a bandwagon effect in the communities:

> When other farmers saw how huge the profits were from planting high-value crops, they quickly followed suit. It was beneficial that the PBSP introduced crop rotation to prevent the farmers from continuously planting the same crop. Now, the farmers have a variety of crops and are able to sell them at a desirable price.

PBSP taught the cooperatives the value of the environment and the need for reforestation in their area. Aside from hosting a number of tree-planting activities by companies, PBSP involved cooperatives in taking care of the seedlings and nurseries in the areas. This created a sense of ownership among the communities, which organized themselves to serve as "watchdogs," protecting young trees against firewood gatherers.

Phase III (1994–1996): Business Takes a Stand for Community Land Tenure and Watershed Protection

As farmers improved their quality of life, they began to want to own the lands they tilled. However, all three adopted barangays are in a protected area, as identified in the NIPA Act of 1992, making all three barangays government-owned properties.

Seeing this concern, PBSP adjusted its program to include land security. In 1994, it helped 17 farmers acquire Certificates of Stewardship from the DENR. This certificate is pursuant to Executive Order 192 to promote environmental awareness, social equity, economic development and sustainable resources management by adopting an NGO-Assisted Community-Based Mangrove Forest Management (NGO-Assisted CBMFM). The key element of CBMFM is provision of security tenure for coastal residents dependent on mangroves.

Results of the Program

The CSR interventions strengthened social and institutional infrastructures to support the transfer of appropriate technology and the application of upland agricultural production systems. The establishment of agricultural cooperatives and credit fund facilities were important in improving resource mobilization and marketing strategies. Partnership arrangements with local government units were also crucial to the successful implementation of the program.

The Cebu Hillyland Development Program highlighted that partnership between the government, civil society and business can go a long way toward preserving the environment and improving economic conditions in the community. The Cebu Hillyland experience proved that CSR is an effective tool for companies to give back to communities, instead of just focusing on profit. The CSR interventions strengthened the social and institutional infrastructures to support the transfer of appropriate technology and the application of hillyland agricultural production systems.

Many Cebu upland farmers have reduced their use of chemicals and have started backyard production of compost using vermin, household and farm wastes. More than 300 hectares of farmlands and grasslands maintain agro-forestry features such as contours, hedgerows, and fruit-bearing trees. By employing crop rotation, farmers discovered that they not only improved their volume of harvests but also restored soil fertility and helped alleviate Cebu's water shortage as well.

One of the greatest improvements in the community is the revival of forest cover. Ms. Corridor commented that during a meeting with the upland communities, one of residents jokingly commented that prior to the reforestation project they could see PBSP staff approaching from a far off distance, but after the project they could no longer see them and could not hide from them. The experience also highlighted the role of the civil society organizations in organizing poor sectors to deal better with business concerns.

The establishment of agricultural cooperatives and credit fund facilities were important in improving resource mobilization and marketing strategies. Partnership arrangements with the local government units were also crucial in the successful implementation of the program.

Partnerships with the various local government units and the policy reforms that were instituted provided positive results: 6,501 households gained access to potable water from 364 systems installed or constructed; 10,180 households were provided with medical assistance; and 250 malnourished children were provided supplemental feeding. Furthermore, about 2,590 farming households gained ownership to the land they till.

There was no formal study made to assess the improvements in the quality of life in the three adopted barangays, but the people living there perceived improvements in financial capacity after the implementation of the CHDP. This assertion is grounded on the fact that more community members can now afford to buy motorcycles and build concrete houses.

SUFALTRAS president Dindo Pagatpat proudly said that after the implementation of CHDP, he was able to acquire two motorcycles and rebuild his *nipa* hut as a concrete house. Specifically, he attributed the improvement in his family's quality of life to the training in high-value crops and marketing provided by PBSP.

Although the Research, Evaluation and Statistics division of Cebu City does not have statistical data on the number of concrete houses before and after the implementation of CHDP, Caridad Rivera-Corridor of PBSP attested that in the three barangays the number of concrete houses increased after the implementation of CHDP.

After ten years of training and technology transfer, including knowledge of contour farming and inter-cropping, the farmers are now assured of regular income from weekly harvests of high-value crops and from savings invested in a cooperative started with the support of PBSP. Producing mostly high-value crops, such as bell pepper and lettuce, the farmers have adopted organic farming technology using vermin, farm discharges, and household wastes. An average of 21 tons of vegetables are directly delivered each month to Makro-Cebu, a large supermarket chain. The cooperative takes charge of marketing and finding buyers for their products.

Problems

A Cebu-based real estate developer staked its claim on ownership to the lands inside Sudlon National Park and threatened to convert the watershed into a golf course. At one point, Sudlon II farmers were surprised when a bulldozer suddenly entered the national park and destroyed their trees and crops.

The conflict between Sudlon II farmers and a Cebu-based real estate developer started when farmers of Gabi Multipurpose Cooperative farmers, working for the rich Quisumbing family of Cebu, staked a claim to the properties of Sudlon II farmers. The Gabi Multipurpose Cooperative farmers claimed that the Quisumbing own four hectares in Sudlon II that were included in the 51 hectares declared as national parks. They presented land titles to serve as proof to this effect. However, the court decided in favor of the Sudlon II farmers because the four hectares were classified as part of Sudlon National Park in 1936. At present, an appeal has been presented to the Supreme Court.

Nevertheless, this case is considered a landmark victory for hillyland farmers.

The Sudlon National Park incidents served as a precedent to possible future conflicts between friends of the environment and companies wanting to convert the watershed into golf courses. Communities both from the upland and highland realized the great threat of water shortages that accompany such conversions.

The dismantling of the Mananga Watershed Development, a multi-sectoral body established in 1989 to coordinate development in the Managa watershed, caused much alarm in the community, eventually leading to the creation of the Cebu Uniting for Sustainable Water (CUSW) in 1995. Non-governmental organizations (including PBSP and RAFI), and people's organization joined forces and formed the CUSW for a holistic approach towards the protection, management and development of Cebu's water resources including, but not limited to, central Cebu's watersheds and coastal areas. The organization started with only 34 members and had grown to 138 non-government organizations and 82 individuals by 2001. CUSW demonstrates how a community-based organization can develop and grow increasingly influential in the political arena.

Recent developments in the three barangays brought solid waste management concerns to the attention of PBSP. In the recent survey conducted by the city water resource committee in the Cebu City upland barangays, it was revealed that about 80 percent of the population in the area do not practice proper waste disposal of either solid or liquid wastes. About 83 percent of the upland barangay residents did not even

have sanitary toilets. Shrubs and open space were the common areas for human waste disposal.

Domestic wastes were generally dumped in creeks or river channels and carried away during heavy floods into the sea. Burning waste in the backyard has always been a practice in the upland barangays, but not compost pit disposal. There is practically no regular garbage collection by the government or any other agency. At the time of interview with PBSP, they were organizing their initial social waste management project in Sudlon I and hoping to expand this program to Sudlon II and Sinsin in the near future.

Lessons Learned

Among the major lessons in CSR interventions learned from the Cebu Hillyland Development Program is the importance of forging multi-sectoral partnerships with national and local governments, donor organizations, civil society and the business community.

It is imperative for the local government to exert leadership in program implementation and, given limited resources, to be open to partnering with civil society and the business sector. Corporate-community partnership should be supportive of poor people's efforts to gain ownership and control over resources critical to their prosperity. Corporations should be sincere in engaging in CSR activities and not just be looking for media coverage.

Non-governmental organizations are crucial in linking corporate-community partnership. The success of CHDP with PBSP can be attributed to PBSP's vast experience in organizing communities and mobilizing businesses.

Good corporate social performance has become a key objective for many firms. Corporate support for community-based development was fueled by a confluence of factors. First, business firms realized the importance of investing in social capital by contributing to capacity building and public goods provision in strategically defined host communities. Second, poorer sectors, organized through civil society efforts, acquired the skills to engage the private sector. Third, the experiences and lessons gained in CSR work by pioneer companies created ripple effects on the rest of the business community (Luz and Montelibano 1993).

Social change is about leadership by example. Leaders of government, non-government organizations, and the business sector should have a vision and exhibit sincerity in every endeavor. A good leader should also know how to motivate subordinates or fellow members to accomplish

goals, taking charge but also being willing to compromise. One of the factors that led to the success of CHDP was the leadership of PBSP Visayas Regional Operations chairperson Erramon Aboitiz, who did not lose hope when, at first, only a few companies would follow his initiatives for the CHDP. In fact, he showed by example that it is worth businesses' money to invest in CSR, even planting trees himself.

Major policies have been enacted to clearly delineate roles, functions and responsibilities among stakeholders. The 1991 Local Government Code is a key policy tool in encouraging business and civil society to participate in local governance. In this context, local government units can serve a critical function as CSR enablers.

In terms of environmental protection, the National Integrated Protected Areas System Act of 1992 is a landmark piece of legislation. For Cebu City where five of the protected areas can be found, the NIPAS Act is crucial in providing a framework for a decentralized, community-reserve strategy.

The CHDP highlights the need for participatory local governance, greater integration of cooperatives into barangay operations, and support for the project from barangay officials.

One of the stumbling blocks encountered during the early years of implementation of the program was the presence of uncooperative barangay officials. The "uncooperative barangay official" was encountered only in Sudlon II. The "uncooperative barangay official" was actually the Barangay Captain during the initial implementation of Cebu Hillyland Development Program. Prior to the implementation of CHDP, the city government coordinated with Barangay Sudlon II through the non-government organizations and people's organization. The Barangay Captain was not part of the consultation.

After identifying Barangay Sudlon II as one of the adopted barangays of PBSP, the city government right away gave them funding for the program. It was speculated that the non-cooperation of the Barangay Captain was rooted from his desire to implement CHDP in order to have a claim to the program funds. The barangay captain would show his disagreements toward PBSP by not participating in any of their activities.

When PBSP was asked how the conflict between them and the Barangay Captain was resolved, Mr. Cabantug answered that:

> *It is clear that as the implementor of the program, PBSP has the sole right to the fund. There is really no need to confront or enter into a dialogue with him because his actions or non-cooperation are trivial and did not affect the program in any way. Furthermore, his actions were*

> *short-lived because during the 1989 local election, he ran for the same position but was not reelected.*

This incidence could have been avoided if greater coordination between the cooperatives and the barangay officials were seen. PBSP tried to bridge the cooperatives with the Barangay Development Council but was not able to sustain it. Partnership arrangements with other organizations that have resources and expertise on capacity building for participatory local governance are also needed.

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Successful Partnership for CSR Activities in Thailand:
The Nike Village Development Project

By Wolfgang Frank

Thailand covers 513,000 square kilometers and has a population of 63.5 million (2002). The population is growing at a rate of less than one percent. GDP is $127 billion at market exchange rates (2002) or $389 billion at purchasing power parity (2000), resulting in GDP per head of $1,990 at market exchange rates (2002) or $6,229 at purchasing power parity (2000). GDP growth is 5.3 percent (2002) and inflation is below one percent (*Economist* 2004).

The economic situation in Thailand has stabilized after the grave crisis of 1997-98. As a result of an expansive fiscal policy, there was moderate to high economic growth from 2000 to 2003, which stimulated domestic demand. The present government, under Prime Minister Thaksin Shinawatra, introduced various programs to improve the economic situation in rural areas. These include credit plans for village funds, people's banks, SMEs, asset conversion, the "One-Tambon-One-Product" plan and the "Debt Reduction/Debt Moratorium for Farmers" program.

According to the National Economic and Social Development Board, about nine million people live in poverty in Thailand, most of them in the north-east of the country. The latest government program aims to eradicate poverty over the next five years.

Medium-term policy objectives include corporate restructuring, privatization, re-establishing a solvent banking sector and investment in education. Policies to diversify export markets and promote agricultural exports are being implemented with success, and Thailand now is the world's largest exporter of rice, rubber, tapioca and shrimp. Thailand is also a leading producer of canned seafood, pineapples, sugar, fruits, vegetables and chicken (though the recent avian flu forced the Thai government to have millions of birds killed, with negative consequences for farmers and agro-businesses).

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A recent crisis in the southern border provinces of Narathiwat, Yala and Pattani, causing considerable bloodshed and worsening security, is now limiting the hitherto dynamic and successful government of Prime Minister Thaksin.

CSR in Thailand

CSR has been of considerable importance in Thailand for many years and is considered a necessity (A. Panyarachun 2003, Thai National Committee 1998). It is part of the country's culture to make donations for worthy causes and to institutions of public esteem. Various national and multinational companies have programs of various sizes and intensities. The landmark passage of the Tambon Administration Organization (TAO) Act of 1994, the New Thai Constitution of 1997 and the National Decentralization Act of 1999, enhanced power sharing among the public, private and civil society sectors and increased community-business partnerships, most notably at the sub-district (Tambon) level.

The Asian Forum on Corporate Social Responsibility, held in Bangkok, September 18-20, 2003, honored Asia's outstanding CSR projects in four categories: environmental excellence, best CSR policies, education and poverty alleviation. One hundred participants also covered business involvement in HIV/AIDS, improving workplace conditions and employee welfare, community relations as business strategy, business and social entrepreneurship, and many other events related to CSR. A workshop organized by the Asian Development Bank (ADB) and the Population and Community Development Association (PDA), March 28-31, 2004, in Pattaya (Thailand) focused on "NGO - Private Sector Partnership," in line with the contents of this paper.

The Population and Community Development
Association (PDA) and CSR

One of the well-developed and successful programs of CSR involving over one hundred companies is the Thai Business Initiative in Rural Development (TBIRD) by PDA, which is the largest and most diversified NGO in Thailand, with more than four hundred people working at its headquarters in Bangkok and 16 sub-centers throughout the country. PDA, under chairman Mechai Viravaidya, began operations in 1974, by promoting family planning in urban and rural areas of Thailand. Using a participatory community-based approach, PDA's family planning efforts helped to reduce Thailand's population growth rate from 3.2 percent in 1970 to less

than one percent today—a success recognized worldwide. PDA has since expanded operations to include primary health care, AIDS prevention, education, gender equality and democracy, promotion of income-generating activities, small and medium enterprises and rural industries, forestry and environmental conservation, water resources development and sanitation.

For many years, PDA has worked with private companies for the development of Thailand's poorer regions and strata of society. PDA is one of the pioneers of the "privatization of poverty reduction" concept supported by the World Bank, the ADB, and others. The premise is that private sector companies are the most promising vehicles to help people out of poverty in countries such as Thailand. In comparison with most governments, private companies have the necessary human, technological, marketing and financial resources needed to take on this task. A small portion of the private sector's resources could be made available to facilitate the development of the country in which they operate. By showing their corporate social responsibility they may benefit from increased goodwill of communities and "bottom-of-pyramid" market development. For more details on these topics see Appendix 4.1.

Thai Business Initiative in Rural Development (TBIRD)

The PDA introduced the TBIRD Program in Thailand at the beginning of the nineties. The essence of TBIRD is to use private sector resources for the sustainable development of rural communities by providing management, marketing and financial know-how, as well as financial and human resources. Private companies are recruited to participate in rural development, together with government organizations. The PDA works as a catalyst, motivating private companies to join the program and to help them in selecting villages, designing, implementing and monitoring the projects.

As an NGO, PDA provides training and facilitates relations with provincial and district authorities, as well as specialized government agencies under the Ministries of Finance, Interior, Agriculture, Industry, Labor, Education, and so on. Advantages for private companies are tax benefits, improved public relations and often, in the case of relocated factories to rural areas, higher profits due to lower costs, and enhanced staff morale and loyalty.

The TBIRD project is nationally and internationally recognized as an excellent concept to create employment and income-generating opportunities in rural areas, slowing down the migration to cities that leads to social disintegration, environmental degradation, and disproportionately rising urban infrastructure costs. Initiatives similar to TBIRD are now under way in the Philippines and Indonesia.

Types of Projects

There are essentially two types of projects: industrial projects and support projects.

Industrial projects comprise enterprises and factories manufacturing garments, footwear, toys and food, among others, and have had considerable impact on employment and income. Prime examples are labor-intensive industries such as shoe manufacturing operations of internationally known brands like Nike and Bata, and textiles for export.

Support projects have been implemented in villages that are not ready for an industrial project or where the corporate sponsor's business would not benefit from operations in a rural area. Support projects can be dedicated to income-generating activities such as crop and animal production, handicrafts, cottage industries and community-based tourism. They can also be aimed at environmental protection (reforestation, ecological awareness), health (HIV/AIDS, family planning), education (scholarships, computer training, school lunches) and community infrastructure (water tanks, libraries).

Multinational corporate sponsors have included Exxon, Tesco, Isuzu, Bridgestone, Unocal and Philip Morris, as well as Thai companies like PTT, Eastern Water, and others.

Impacts

The effects of TBIRD support projects have been positive for community development, but are difficult to quantify. However, there are figures for 45 TBIRD factories, which employ approximately eight thousand persons who earn a total annual income of over THB 450 million (about $11.5 million). Moreover, the local economy expands as people spend their money on food, consumer goods and services. A rough estimate (assuming a marginal savings rate of 0.1) would be a total increase in income, through the multiplier effect, of around THB 4.5 billion (about $115 million).

Finally, there is a strong leverage effect of government and donor contributions in TBIRD-style projects, while risk and cost are comparatively small. Appendix 4.2 gives details about TBIRD industrial projects, number of enterprises, workers, wages and income for 2002.

Community Context—Chakkarat District

Chakkarat is located about 40 km from the provincial capital Nakhon Ratchasima and roughly 300 km from Bangkok and the deep-sea port of Laem Chabang on the Eastern Seaboard. The Chakkarat district has eight

sub-districts and in 1999 had a total population of 63,408 people. This reflects a decrease in population from 1994 (77,154 people). Attempts to make life in the district attractive and create employment opportunities are needed to counteract the exodus to the large cities.

Historical Development

Chakkarat district had assistance from German Technical Cooperation Agency (GTZ) since 1988. This project provided services such as water supply and latrines; income generation through agricultural (livestock and crops) and non-agricultural activities (tailoring, handicrafts, brick-making); savings and credit schemes and a revolving fund system; and human resource and institutional development. At the start of the project the main causes of poverty were low agricultural production due to insufficient irrigation, poor techniques and little access to credit; low animal production due to lack of feeds and high mortality; low non-farm income due to inadequate production techniques and market access; and low level of health due to malnutrition, parasite infection, and unclean drinking water.

Since the late eighties, conditions have changed in the district. Health and water supply problems have been largely overcome, and almost all households have access to hygienic latrines, clean drinking water and health workers. Electricity supply and roads have also greatly improved.

The primary source of income has shifted from agriculture and livestock to manufacturing and services. In the mid-nineties Chakkarat experienced a boom due to the construction of a new airport nearby and the establishment of two sugar factories, which changed the traditional land-use pattern from tapioca and rice to sugar cane. However, in 1997, the economic crisis in Thailand also hit the Chakkarat district, exacerbated by the 20-50 percent drop in the prices of the main agricultural products in the area.

Present Trends

In spite of the economic crisis and slow recovery in many rural areas since 1997, Chakkarat has done remarkably well. The main reason for this was the establishment of factories at Non Pruk village where PDA set up the Non Pruk Industrial Estate. Since 1998, Jakkarat Union Footwear Co. Ltd., a subsidiary of Nike, and S.C.S. Sportswear Co. Ltd., as well as garment manufacturers Le Form Intimates Co. Ltd. and Rongroj Embroidery Co. Ltd., were attracted to the site. These companies set up state-of-the-art production units for their respective products at the facilities provided. The Nike unit produces intermediate products (upper parts for some of their world-famous sports

shoe models) providing jobs for nearly 800 employees. In order to improve living conditions in the factory's surrounding areas, Nike introduced a special CSR effort, the Nike Village Development Project (NVDP) in 1999.

Unemployment

The employment situation in the district is difficult to assess. There are few large or medium-scale enterprises in the district. According to the Thai definition, medium-scale enterprises have 50 to 500 staff members, and large-scale enterprises have over 500 employees. The Nong Pruk Industrial Estate is undoubtedly one of the large employment generators in the district. The extent of the unemployment problem remains unclear due to conceptual difficulties (the dividing line between underemployment and unemployment), conflicting definitions by various agencies and the absence of a welfare system, which pays those who are registered as unemployed. It is a consensus opinion that micro- and small enterprises provide most of the employment, but predominantly in the informal sector.

Income and Jobs

In 1999, the average annual income of the poorest sub-district, Nong Kham, was sixty percent of the average income in Chakkarat Muang. The annual average income for the district as a whole in 1999 had risen by about fifty percent from 1994. Most households have more than one occupation and only a small number have a single occupation or are counted as employed laborers, though this situation has changed considerably since the opening of the factories at the Non Pruk Industrial Estate.

Although agricultural production in the province is slowly losing its importance, it is still the number one income generator (25 percent) and contributes significantly to employment and the self-sufficiency of households. Manufacturing is in second place, generating 24 percent of income; it is followed by services (17 percent), wholesale and retail trade (12 percent), public administration and defense (six percent), and transport and communication (four percent).

Corporate Context—Nike

Nike is a leading manufacturer of sporting goods (shoes, garments and accessories) and is one of the most recognized brands in the world. It ranks number nine in the Top 100 Multinational Companies (*Far Eastern Economic Review* 2003).

Nike products are manufactured in factories owned and operated by other companies. This is also true in the case presented in this paper. This practice is called "outsourcing" and is quite common in the sporting goods industry. Nike's supply chain includes over 660,000 contracted manufacturing workers in more than nine hundred factories in over fifty countries, including the United States. The workers are predominantly women between the ages of 19 and 25. Geographic dispersion is driven by many factors including pricing, quality, factory capacity and quota allocation.

Since 1980, Nike has been present in Thailand, where 65 contract factory partners employ 48,000 Thai nationals. Large factories for final assembly have over five thousand workers, while upcountry stitching facilities like the one in Chakkarat have close to seven hundred workers.

In the late nineties Nike came under severe criticism for labor rights abuses, and appalling working conditions and wages in Nike factories in Asia—especially Indonesia, but also China, Vietnam and Thailand. Nike was accused by NGOs including OXFAM and NIKEWATCH of not paying workers enough to meet their basic needs. These NGOs have also claimed that Nike factory workers have reason to fear discrimination and harassment if they become actively involved in unions. Nike has become increasingly aware of these problems and has since placed more emphasis on CSR.

Nike's Mission

The need to counteract this negative image made Nike focus on CSR resources. This orientation is also addressed in Nike's mission statement:

> *To be an innovative and inspirational corporate citizen in a world where our company participates; we seek to protect and enhance the Nike brand through practices that contribute to profitable and sustainable growth.*

Along the same lines, Nike policy on community involvement focuses on:

○ Developing and investing in innovative solutions to the challenges of globalization faced by women and girls.

○ Working to increase the participation of young people in physical activity to improve their lives.

○ Making our backyards a better place to live, work and play.

Compliance

Nike's goal is to carry out business with contract factories that consistently demonstrate compliance with standards set by Nike and that operate in an ethical and lawful manner.

Cultural, societal and economic diversity makes Nike's supply chain not only large, but also complex and ever-changing, making it difficult to comply with the standards suggested by Nike's Code of Conduct. Nike is working closely with independent institutions like the Fair Labor Association (FLA), which conducts monitoring, and the Global Alliance (GA) for Workers and Communities, which conducts worker assessments, including workplace issues in Nike's contract factories. The FLA is an association of companies, universities and NGOs that promote and protect labor rights. The GA is a non-profit initiative launched in 1999 and supported by the International Youth Foundation, the World Bank, universities, and others to improve working conditions and life opportunities for factory workers. Currently, Nike has more than 80 people located worldwide focusing exclusively on supply chain compliance issues. They try to ensure adherence to standards such as minimum wages, working age, working time, holidays, working conditions (temperature, ventilation, noise, light, cleanliness), occupational safety and health, freedom of association, non-discrimination, and so on (Kaufman 2002).

CSR and Development Contributions

Nike is a generous corporate donor providing $29.6 million in 2002 (Conlin 2003). Example of this generosity is the micro-enterprise development program of Opportunity International in Indonesia.

> *Over the last five years, the Nike-funded project has provided nearly $1.8 million in small business loans, called micro-credit, to 11,500 Indonesian entrepreneurs on a cumulative basis. These collateral-free loans have enabled them to launch their own enterprises, lifting them out of chronic poverty. A very small loan of $50, $100 or $200 creates self-employment for poor working people. It might be a fruit or vegetable vendor stand in the local marketplace, or a canteen, or a cobbler or beauty shop. No matter how humble the business, the effect on a formerly destitute person is financially and psychologically transformational' (Nike 2004).*

Nike is also funding development and micro-loan projects in Vietnam, China and Thailand working together with the Vietnamese Women's Union, the China Foundation for Poverty Alleviation, and the PDA. The latter case is presented here.

CSR Intervention—Nike Village Development Project

Following are details of a CSR project started in 1999 by the Nike Corporation in Thailand. The company subcontracted shoe production to a Union Footwear factory in the Nong Pruk sub-district, the Chakkarat district and the Nakhon Ratchasima province, in northeast Thailand; through its "Nike Village Development Project" (NVDP) helped villagers set up revolving funds. With low-interest loans the villagers could finance income-generating activities, such as the sale of homemade food and ice cream. The company also supported environmental activities, such as reforestation and ecological awareness training, as well as educational initiatives, including occupational skills, entrepreneurial workshops, leadership training and scholarships.

The main beneficiaries of the company's efforts were the villagers and communities of Non Pruk sub-district, especially the Nong Bua Klang, Non Ngiew, Hong Chong, Bu, and Nong Kla villages targeted by NVDP. However the CSR project expanded further and also benefited a number of other Tambons in Chakkarat and adjacent districts.

Due to the economic crisis in 1997 there was a strong desire in the communities of the Chakkarat district to overcome their socio-economic problems. In discussions with the chairman of PDA and the local PDA manager the idea to bring in companies at the PDA owned site in order to create permanent jobs and income took shape, and the management of Nike Thailand and its subcontractor, Union Footwear, expressed interest. In a series of meetings and discussions, at the headquarter and district level, with various stakeholders, including the district government, the establishment of the stitching facility and the initiation of the NVDP were decided and started in 1998 viz. 1999.

Actors

The following table shows the principal stakeholders involved in NVDP, and summarizes the main activities performed by the project and the expected outcome.

Quadripartite Partnership

NVDP exemplifies successful "corporation-government-NGO-community" linkage:

○   Nike and its Thai subcontractor Union Footwear provided know-how, management marketing, and finance. The Nike country manager and other local staff, the director of global CSR and other headquar-

Table 4.1: Stakeholders, activities, and outcome of NVDP

STAKEHOLDERS	ACTIVITIES	RESULTS
NIKE UNION FOOTWEAR PDA GOVERNMENT VILLAGERS	Phase I (1999-2002) RVF Scholarships School lunch Women's development Vegetable bank Tree bank	Sustainable Community Development of Target Area
	Phase II (2003-2006) RVF Scholarships School lunch Women's development HIV/AIDS Environment Mini-farms	

Source: Adapted from P. Booncherd, Director Development Center, Chakkarat/N.R.

ter staff, and key staff of the Thai subcontracting company (Union Footwear), contributed in important ways at the various stages of the CSR intervention (the selection of factory site and project villages, project activities and their monitoring). Company representatives visited communities, attended villagers' meetings and helped in solving community problems.

○ PDA as the catalyst has provided factory buildings, facilitation with government agencies at all levels, recruitment, training and consulting services. PDA linked up with Nike because of the potential to create a sizable number of jobs with minimal negative environmental effects. From previous experiences with agro-based industries like chicken farms, PDA had learned that they generate little employment. For instance, a chicken farm with ten thousand birds needs only two permanent keepers, while the same building can accommodate 150 employees producing shoes or garments. Moreover, by using advanced technology, there is no noticeable ecological damage.

○ Government agencies cooperated with the project: the district and provincial offices for general direction and permits; the Royal Forestry Department for environmental programs; the Department of Agricultural Extension for agricultural activities; the Department

of Industrial Promotion; the Departments of Skill Developmentand Non-Formal Education; the Bank of Agriculture and Agricultural Cooperatives; and the Government Savings Bank for financing.

○   The main beneficiaries of NVDP were villagers, groups and communities near the factory site at Non Pruk, in the Nong Bua Klang, Non Ngiew, Hong Chong, Bu, and Nong Kla villages.

More details on the private sector-NGO-government cooperation for development with special emphasis on rural and agricultural enterprises can be found in Frank 2002 and GTZ 2003.

Since direct corporation-community collaboration (CCC) often faces difficulties due to indifference or even hostility on the part of communities, or because company staff is not trained to work with the community, more and more companies are cooperating with NGOs in a symbiotic relationship. Private companies make use of the social and institutional know-how of NGOs to reach communities, and NGOs benefit from companies financial and human resources.

This is increasingly important for NGOs, most of which are facing financial difficulties or closure, because grants from traditional multi- and bilateral donors are ending. NGOs, therefore, have to reach out to new donors like private companies with innovative fund-raising approaches. A second solution is for NGOs to start "making money" through commercial ventures. PDA has created around a dozen for-profit companies to support its work as a non-profit organization, and for many years has mobilized resources through business activities. PDA has been able to generate enough income from for-profit-enterprises such as restaurants, resorts, shops, clinics and factories, to cover around sixty percent of its running costs. For details on NGO sustainability through business activities see Mechai Viravaidya (2001).

Activities

Project activities were selected according to mutual understanding between Nike, PDA and villagers. PDA as the implementing agency coordinated the following activities from a project office located at the project site.

Revolving Village Funds (RVF) were a central part of NVDP, Phase 1, and continue to be important in the second phase. The purpose of RVFs is to provide opportunities of sustainable income/occupation for poor villagers in the target areas. Loans have been disbursed for pig, duck, fish raising, village shops, fertilizers, mobile noodle stalls, motorcycle repair and ice cream making, among other activities. To obtain a loan, members of RVF

must reside in the village and must be accepted in the community. Payback depends on the nature of the loan but does not exceed 12 months.

There are nearly seven hundred people receiving micro-loans from the Nike Village Development Project, and the growth of total RVFs has been spectacular. In the start-up phase (1999/2000) the total fund amount stood at THB 2.75 million ($70,000)—(five village RVFs at THB 400,000 each, plus THB 750,000 for the Tree Bank—see below). By May 2004 it had grown to THB 22 million ($560,000). The villagers have benefited considerably from the favorable conditions of the RVFs (one percent interest per month as opposed to 7-10 percent from moneylenders).

Scholarships and school lunches are essential to alleviate the cost burden of educating the children of the poor. In its first phase, the project provides THB 357,000 ($9,150) in scholarships to cover tuition and school fees, as well as THB 110,000 ($2,820) for school lunch programs for a more nutritionally balanced diet.

The school lunch program started with the raising of egg-laying hens and a vegetable plot. Lectures were given to school children and teachers on chicken raising and quality of production increased. The school used thirty percent of the eggs for school lunches. However, after two years, high feed costs and low egg prices decreased the revolving fund drastically and egg production was replaced with mushroom cultivation in the converted chicken barn. However, heavy flooding destroyed the mushrooms and also damaged vegetables, so the children also learned about risks and failures. Most of the kale, morning glory, lettuce, coriander and long beans grown were used in the school lunch program and the rest were sold to workers at the Nike factory. In the second year, catfish raising was started in two plastic ponds with three thousand specimens of a new breed—Russian catfish. The fish is used for lunches and income generation. Eighteen mango trees were also planted around the school.

The second phase will promote sports activities for young people, including basketball, *takraw*, table tennis, volleyball and soccer, by providing the necessary organization and inputs. The project also selects new sites for sports fields and helps in their construction, organizes sports events and competitions, and tries to stimulate sportsmanship, fairness and self-reliance, with a view to reducing social problems like drug abuse, prostitution and crime among young people in the district.

The project is putting strong emphasis on involving more **women in community development**. They are trained to better understand democratic processes, leadership and the mechanisms of local organizations such as TAO, cooperatives and associations. In the first phase, THB 450,000 ($11,540) was spent for this purpose.

The high priority which the project gives to women and youth is also reflected in the fact that the statutes of Nike Revolving Funds stipulate that the management committee has to include at least sixty percent women and twenty percent youth.

Women leaders were trained on "The Role of Women and the Way to be a Leader in Community Economic Development," "Community Networking," "Waste Management," "Food Processing Techniques" and "Hand-making of Funeral Wreaths from Artificial Flowers made of Degradable Material." Women also observed various activities in other centers, such as rice milling, frog raising, shampoo making, fermenting fish and making compost. They attended demonstrations of Thai sweet preparations such as sugar coated banana, sugar coated taro and chili paste, and learned about making anchovies, salted eggs, sugar coated rice crackers, fruit juice and preserved mango.

In the second phase, the activity of mobile teams providing education to villagers on issues such as HIV/AIDS, family planning and drugs use will be intensified. These teams visit primary and secondary schools in the target area, and villagers from the adjacent communities are invited to the training events held at the schools and other sites. The new 'Positive Partnership Approach' has already been introduced in the second phase. It pairs HIV+ and HIV- people to help them establish small businesses that can increase their income. A trial pig raising activity is underway at Ban Don village in Nong Pluang sub-district. The project also makes medications available to the beneficiaries. Over time, the micro-loan must be paid back to make the project sustainable.

The vegetable bank activity has given direct support to **income generation**. The objective is to use barren public land (often along railroad tracks like in Chakkarat) for intensive vegetable production by providing water from a deep well or surface water source stored in concrete tanks. Villagers are provided with training and technical advice to establish the systems, manage them, grow vegetables—often using organic farming techniques—on plots of about eight hundred square meters and market them. The project received THB 500,000 ($12,820) in the first phase.

A 1.6-hectare site in Bu village was selected for the vegetable bank project and seeds were provided. Twenty members were trained on principles of chemical-free vegetable production and how to make their own liquid organic fertilizer. The main products were kale, morning glory, coriander, corn, pumpkin, Chinese parsley, spring onion, chili and cucumber for the growers' own consumption. Income amounted to THB 1,500-2,000 ($38.50) per month/member.

The second phase will further introduce mini-farms—a new approach for low-cost activities that can produce high-value products using small-

scale plots of less than a hundred square meters, with little water and labor. Typical products are crickets, ants, frogs, field crabs, snails, chicken, ducks, catfish, eels, cucumber, kale, morning glory, onions, fruit and mushrooms with good market potential. This activity is also suited for the elderly, handicapped and HIV/AIDS sufferers.

The Chakkarat district suffers from **environmental degradation**, and reforestation measures were implemented using the tree (or carbon) bank concept. In a nutshell, a small amount of money (for example, THB 10) is paid into the Tree Bank Fund. The villagers as individuals or groups are then eligible to borrow from this fund for income generation and other purposes. The village tree fund committee, consisting of six villagers, four of them women, manages the fund. From the interest paid, half goes back to the fund, and the other half is used to pay for its management. It received an initial endowment fund of THB 750,000 ($19,230) and an extra THB 100,000 ($2,560) to cover the cost of tree planting.

In June 1999, sixteen-hectare sites were selected in the villages of Bu, Putsa, and Nong Pluang and four hundred people participated in planting a total of 23,500 trees, mainly eucalyptus, neem, wattle and Manila tamarind. Lending for three rounds of tree planting amounted to THB 350,000. By the end of the first phase, THB 830,000 was disbursed in loans to 166 members. In the second phase, the activity will be continued and supplemented by training on environmental issues such as reforestation, biodiversity and pollution. New crops with environmentally-friendly characteristics, such as jatropa, will also be introduced.

Difficulties

Although the project had no major problems, there were some difficulties, as expected. First, nature can wreck the best-laid plans, as demonstrated by the severe flooding in the second year of the project. Second, it is a constant challenge to maintain the interest and participation of all stakeholders, especially community leaders and managers of Nike. This is especially important in times of personnel changes.

Effects

Results According to NVDP Monitoring and Evaluation

The results of the CSR intervention have been generally positive. The main findings were that villagers are satisfied with the project, which has increased their income and quality of life. They also appreciate the attention and good relations with Nike employees and PDA staff. The empowerment of women,

through their crucial role in the RVFs and the many loans benefiting women, is a major achievement. The RVFs have been highly successful and their total resources in four years have increased eightfold. Direct benefits are observable among the children of target group members who received scholarships and school lunches, providing a nutritionally balanced diet, relieving parents from economic burdens, and teaching the students to contribute by producing various vegetables and other food products themselves.

The Nike Village Development Project also helped to raise awareness in the district on ecological issues and environmental problems. On a more general level, villagers are more inclined to stay in the area, making the development efforts sustainable.

Community Strengthening

The various activities of the Nike Village Development Project certainly contributed to strengthening the communities, especially the groups involved in revolving loan funds, vegetable banks, environmental activities and the women's development program. Women participated as committee members, gained knowledge in occupational training, received income from business activities and, altogether, played a more significant role in the community.

The strengthening of communities in Chakkarat is, of course, due to a variety of factors, including community development efforts by other agencies, and especially, the greater responsibilities and funding given by government to the TAO in the 1990s. The budget for local self-government increased from seven percent of the total government budget in 2000 to 22 percent in 2002, and will rise to 35 percent in 2006, giving a further boost to local administrations and community development.

Dependence

The factories of the Non Pruk Industrial Estate make the Chakkarat district and the sub-districts in the vicinity dependent in terms of jobs, incomes, taxes, and other contributions, because companies may decide to relocate. District authorities have been supportive of private companies and will be so in the future, but competitive forces are beyond the control of employees and local officials. Deteriorating conditions, with regard to wages, supplies of raw materials, taxes, and the macro-economic and socio-political frameworks may present challenges. Though there is an undeniable risk that a multinational company like Nike may withdraw from a locality with such problems, changes usually only occur if conditions for the company are greatly altered. Normally, a company like Nike

maintains production agreements with local subcontractors when they are mutually beneficial and safeguard good relations with stakeholders. For reasons of global diversification and maintaining footholds in a market like Thailand, production facilities are not easily shifted. Though wages in Thailand are higher and increasing, relative to competitors such as China, Vietnam, Cambodia, and Bangladesh, this may be offset by excellent infrastructure, good worker morale and a positive investment climate.

Fulfillment of the Company's Goals

Nike's motives may have been manifold. Certainly, trust in PDA and good cooperation with local authorities and the communities tipped the balance to set up the factory in the Chakkarat district. Although the factory site is in a rural area in the north-east, which increases transport and communication costs, it was expected to make economic sense, since labor, rent and services were cheaper than in the Bangkok area. Higher staff satisfaction, less worker fluctuation and production of better quality with fewer rejects were also anticipated. Finally, Chakkarat enabled Nike to introduce a positive corporate social responsibility program that could enhance the company's reputation and public relations locally and internationally.

Nike's aspirations have been met, company officials have taken genuine interest in the NVDP and visited the project site various times, and villagers appreciate their involvement and are grateful for their support. The dedicated work of PDA's project staff was positively mentioned in evaluations and was instrumental in the success of the project, which was a learning experience for all stakeholders: communities, workers, school children and teachers, PDA staff and Nike employees.

Socio-economic Impact of Factory Operation

The main and most direct outcome of setting up the factories in Non Pruk, including the unit operated by Nike/Union Footwear, is the **creation of permanent jobs** for the villagers. Not only laborers, but also people with higher qualifications from the surrounding villages are employed in management posts and office jobs in the factories. This proves that it is not always necessary for people with higher education to migrate to Bangkok and other large cities to find jobs with greater social prestige. There are currently over two thousand people working at the Non Pruk Industrial Estate, 720 of them at the Nike factory. These are very attractive jobs and there are nearly five hundred people on the waiting list for them.

The direct **income generated** by the factories (salaries and wages of employees and workers) at the Non Pruk Industrial Estate is estimated at 100 million Baht (about $2.5 million) per year. The multiplier effects of the project are large, estimated at one billion Baht ($25 million) per year (supposing a marginal savings rate of 0.1). Per capita average income in the area is now more than three times above the district average.

About eighty percent of people working in the factories are women (at the Nike factory: 551 out of 720 employees or nearly 77 percent). TBIRD focuses its projects on employing women because they are usually the most at risk of being exploited if they leave for the urban areas. Rural employment provides young women with an alternative to the sex industry, and also benefits women with children. By giving jobs to women in their own villages, children are able to grow up in a far healthier environment, and will attend school longer.

Workers in each factory are encouraged to establish a savings group and to set aside some money from their wages to be used for different purposes. Workers elect other workers to a board in each factory to manage the savings group and decide on granting low-interest loans to members.

Working conditions in the Nike factory are considered better than in many comparable factories, a fact also reflected in a low employee turnover rate of below three percent. According to interviews with management and staff, social standards are adhered to in accordance with Thai Law and ILO conventions, and in many regards, such as minimum age and provisions for maternity, surpassed. There are periodical meetings of the Nike personnel director, workers and PDA staff to make sure conditions regarding safety, working hours, minimum wage, sick leave and rest periods are being met.

According to interviews during monitoring and evaluation visits, workers said their **quality of life** has improved in various ways: family members can spend more time together by staying in the village, and people are able to become more involved in social and political activities, and other community matters.

There are benefits for the **economy as a whole**. If the villagers were working in large cities such as Bangkok, the amount of money they would be able to save to send to their families back in the village would be minimal. Working in their own village allows the employees to substantially reduce the cost of living, thus increasing cash flow in the local economy and beyond. The number of shiny new motorcycles in the factory parking lots testifies to this fact.

Local government's revenues are increased through taxes and other additional income created by the factories, which can then be used for the development and benefit of the villages.

Conclusions

The main factors of success and lessons learned were:

Nike was attracted to the district largely because of excellent relations between top level and local PDA management and company decision makers and government officials at district, provincial, and national levels. This is a positive example of setting up industries in the rural areas, creating employment and making life in the countryside attractive again, thus stemming migration to the big cities.

Nike's aspirations were also largely met. Operating a factory in this rural area makes economic sense since labor, rent and services are cheaper than in Bangkok; staff satisfaction is higher; worker fluctuation is lower; and production is of better quality, with less rejects. By showing corporate social responsibility, not only did the villages benefit under the project, but also Nike improved its reputation and public relations locally and internationally.

As is fitting for a quadripartite cooperation, four factors were important for the success of the CSR intervention:

○ The involvement and active support of the Nike country manager and other local staff, the director of global CSR and other headquarter staff, key staff of the Thai subcontracting company (Union Footwear), and others.

○ The contacts, community links, continuous follow-up and day-to-day running of the project by the NGO (PDA) which acted as a catalyst by bringing government agencies, community leaders, and company staff together, providing training, renting out factory buildings and mediating between the interest of companies and workers/communities.

○ Acceptance and support from government agencies at local, provincial, and national levels.

○ The project largely met the needs of villagers, who were actively involved in running the program and were proud of their achievements.

Other factors of success were:

○ The involvement of underprivileged groups in the villages through training and counseling for revolving funds and other groups; and special provisions, for example, the condition that women make up sixty percent of the committee members of revolving funds.

○ Appropriate follow-up and support to ensure that the income-generating activities financed with low-interest loans were economically successful.

○   Environmental activities such as reforestation initiatives and educational activities, such as scholarships and sports activities, to improve the quality of life in the district.

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APPENDIX 4.1

CSR, Privatization of Poverty Alleviation and Public Private Partnership

The decades-long, world-wide effort to alleviate poverty has brought disappointing results in spite of the billions of dollars spent, because the problem has been treated by the wrong doctor (government officials) with the wrong medicine (bureaucratic business development measures). PDA, therefore, pioneered a new approach of "privatization of poverty alleviation" with support from the private sector (see Mechai V. Interviews 2003 and mimeo, undated).

The approach tries to induce the private sector to actively contribute to poverty alleviation. It recurs to CSR (World Bank 2002, 2003, and 2004) and tries to motivate the participation of private companies:

○ To provide markets for products of the rural and urban poor.

○ To function as partners through production, supply and marketing arrangements.

○ To provide venture capital and technical assistance.

○ To stimulate self-help capabilities as well as educational and environmental activities.

○ To change companies' attitudes and practices focusing on local opportunities.

○ To address the real needs and real opportunities of the majority of people in member countries.

○ To access radical innovations and cost-saving opportunities.

Companies are also encouraged to work with the poor as a business opportunity (see also C.K. Prahalad et al. 2002 and C. Prystay 2003). Nearly 65 percent of the world's population earns less than two thousand dollars a year—that is, four billion people. In spite of this vast market, it remains largely untapped by MNCs. But things have begun to change. Forward thinking MNCs may gain three important advantages by serving the poor: a new source of revenue growth, cost reduction and innovation.

To begin with, many large companies may have nearly saturated their existing markets and need new sources of growth—that is, tap the so-called bottom-of-the-pyramid market. The latent demand for low-priced, high-quality goods and services is enormous, as has been shown by companies such as Hindustan Lever and Citibank in India. Second, outsourcing to low-cost labor markets such as China (in manufacturing) and India (in software) has decreased cost and increased efficiency. Third, BOP markets allow commercial and technological experimentation, and the development of novel low-cost devices. IT and E-Commerce systems may help the bottom of the pyramid to gain access to information and markets, and millions of isolated communities may sell to each other, and to urban and even international markets. Finally, large corporations should solve major problems such as alleviating the poverty of four billion people.

CSR is closely related to private-public-partnership projects (PPP) for development— PPP has become a catchword for many bilateral and multilateral development agencies (see also GTZ 2002 and P. Bolster 2002)—and to the United Nations Global Compact. In view of stagnant or decreasing ODA funds, PPP is seen as a promising approach to make use of private sector resources for development cooperation goals.

APPENDIX 4.2

Data On Third Industrial Companies In 2002

Location (Centre)	FACTORIES				WORKERS		WAGE/INCOME [BAHT]	
	Industry	Sme	Large	Total	Range	Total	Avg/day	Total/year
Nang Rong	F, G	14	2	16	22-325	1841	217	124,643,064
Lamplaimat	F, G, 0	3	1	4	7-709	976	170	51,767,040
Nakhon Ratchasima/chakkarat	F, G, 0	5	4	9	5-1033	2879	167	150,007,416
Ban Phai	F, G, 0	3	2	5	20-969	1412	145	63,878,880
Mahasarakam	G	0	1	1	380	380	200	23,712,000
Surin	F, G	2	0	2	34	68	120	2,545,920
Putthaisong	G	1	1	2	128-250	378	155	18,280,080
Pitsanuloke	G, 0	5	0	5	9-107	227	151	10,694,424
Saiyok	F, G, 0	1	0	1	80	80	180	4,492,800
Total		34	11	45		8241		450,021,624
							Euro	9,783,079

Explanations

Industry	F = Footwear, G = Garments, 0 = Other
Small Enterprises	1 To 50 Staff
Medium Enterprises	51 To 200 Staff
Large Enterprises	Staff > 200
Avg./day	Average Daily Wage
Total/year	Total Wage Income Per Year On The Base Of 26 Avg. Working Days Per Month
	Euro Value Based On A Rate Of Exchange Of 46.

Singapore Telecom's *Touching Lives Fund:*
A Corporate-Government-Community Partnership

By Jose L. Tongzon

> *"There is a giant inside all of us. I can drown him with tears over my disability, or unleash him to maximize my potential and help others"* —**Dr. William Tan**, a Singaporean paraplegic who participated in many world marathons for people with disabilities.

Singapore has one of the most successful economies in Southeast Asia. As one of the miracle economies in the decades prior to the 1997/98 Asian crisis, Singapore has not only managed to maintain high growth rates but has also made significant progress particularly in the area of poverty alleviation, preservation of the quality of the environment, and social cohesion.

Singapore as a city-state presents a unique case.[1] It has no agricultural sector and thus is free from the problems arising from economic dualism, which characterizes most developing countries in Asia. Although the government is highly interventionist at the macroeconomic and microeconomic level, when addressing the issue of poverty alleviation and equity, it has provided subsidies only in certain specific sectors that are deemed important to the development of human skills and human wealth such as education, health and housing.[2] Unlike other high-income countries, however, these subsidies are directly granted to the providers or suppliers in these selected sectors to ensure that the subsidies are not spent on the "wrong" goods. Also, these subsidies are not means-tested, but are available to all Singaporeans who meet certain criteria, regardless of their

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[1] Being a city-state implies that Singapore is a city that is itself a sovereign state. Thus, the city and the state of Singapore are politically synonymous. Being a highly urbanized country, it has no hinterland of its own, but relies on the neighboring countries for their source of food and raw materials.

[2] Singapore belongs to the "Teach them to fish rather than give fish" school of social policy, emphasizing education and skills training.

deduction benefits (provided that they have to spend at least 80 percent of the income on their charitable objectives). (*The Straits Times*, 20 April 2004).

income status. In addition, the government has actively promoted a sense of social responsibility and citizenship. Individuals are urged to volunteer for socially responsible activities and the importance of the family is promoted as one of the pillars of Singaporean society.

There is also a strong emphasis on economic growth and corporate profitability, and the enhancement of international competitiveness based on the philosophy of individual responsibility. Underlying this growth-oriented and government-led approach is the belief that the needs of the poor can better be served by providing them with more access to education and more employment opportunities than by providing them with handouts and direct welfare payments. In Singapore, there is very little public pressure on companies to be accountable to wider society. There is not the same level of public accountability as in the U.K. (Thompson 2002). However, while the concept of corporate social responsibility has been slow to take off, Singaporean consumers are beginning to demonstrate similar expectations of brands as consumers in the West. The growing assertiveness of consumers will be the single most powerful driver that is likely to accelerate behavioral change among companies in Singapore. There are now two organizations that advocate CSR in the city-state: the Centre for Corporate Social Responsibility (CCSR) and the Consumers Association of Singapore.

In the private sector, interest and recognition of corporate social responsibility as an important part of business behavior have increased in Singapore for the past few years. As Table 5.1 shows, Singapore has a higher CSR penetration rate than its Southeast Asian neighbors, though much lower than in India, South Korea and developed countries. CSR has penetrated 40 percent of Singapore's multinational companies, but only 16 percent of them have extensive CSR reporting (Table 5.2). Companies that have established public images of corporate citizenship, like Shell, Exxon Mobil, HSBC, DBS Bank and SingTel have maintained a longer-term approach towards social responsibility. CSR penetration is, however, quite low among domestic-oriented, small and medium-size companies. More companies than anywhere else (57 percent of those in Singapore) have a code of conduct on ethics, including bribery and corruption. These companies also have policies on the inspection of suppliers' facilities for health, safety and environmental matters, on fair trade, equitable trade and end-price auditing.[3]

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[3] This is based on the survey conducted by the Corporate Environmental Governance Program at the University of Hong Kong, cited by Singapore National Employers Federation (2003).

Table 5.1: Penetration of CSR Reporting in Singapore

Country	CSR Penetration	Percent of CSR companies in the top 50 companies per country
India	72	72
Indonesia	24	52
Malaysia	32	42
Philippines	30	38
South Korea	52	32
Singapore	38	30
Thailand	42	24
Seven country mean	41	41
UK	N.A.	98
Japan	N.A.	96

Source: *CSR in Asia*

Table 5.2: Extent of CSR Reporting by CSR Companies (Percent)

Country	Minimal	Medium	Extensive
India	17	47	36
Indonesia	73	9	18
Malaysia	25	50	25
Philippines	29	36	36
Singapore	42	42	16
Thailand	24	62	14
South Korea	27	46	27
Mean	29	44	27

Minimal: one to two pages; medium: three to ten pages; extensive: over ten pages
Source: *CSR in Asia*

The drivers of interest in CSR in Singapore are varied and include the government's *Remake Singapore* movement which has encouraged: a reexamination of the role, rights and responsibilities of civil society, NGOs and business in society; the ratification of four International Labor Organization (ILO) conventions by the government; the Joint Code of Responsible Employment Practices, issued jointly by the Singapore National Employers Federation and the National Trade Union Congress; consumer protection

against unscrupulous businesses; a stepped-up educational campaign on the Fair Trading Act; and the launch of the CCSR in 2003.

The CCSR was set up to promote awareness of CSR and encourage more firms to implement it. The Centre is the first private-sector-led and centralized promotion of social corporate responsibility in Singapore, credited with helping organize Asia's first awards to recognize local companies for good CSR practices (*The Straits Times* June 7, 2003).

Against this backdrop, the main objective of this paper is to examine the main CSR activity of *Singapore Telecom* (SingTel) and how it has contributed to the betterment of the lives of the less privileged Singaporeans and to overall human resource development in Singapore.

The SingTel Group is a communications service provider, incorporated in Singapore in 1992. Sixty-five percent of SingTel's issued share capital is held by Temasek Holding,[4] 5.92 percent by the Capital Group and 29.08 percent by the general public. SingTel has been recognized as the Best Asian Telecom Operator by the industry publication, *TelecomAsia*, for six consecutive years since 1998.[5] The Group employs more than 19,000 people around the world and had a turnover of S$10.26 billion (US$5.80 billion) for the March 31, 2003 year-end. The Group has now established "SingTel Global Offices" in 15 countries and territories worldwide. The group is active and prominent in countries such as Thailand, the Philippines, Singapore, Indonesia and Australia. In the financial year ended on March 31st, 2003, the group recorded a turnover of S$10.26 billion (US$5.80 billion). From 1998 to 2003, the group had net profits (pre-goodwill) close to S$2 billion[6] ($ amounts are in Singaporean dollars, unless otherwise indicated; S$1 = US$0.60).

SingTel believes in playing an active role in supporting community and social development of Singapore. Since June 2002, the company has

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[4] Temasek Holdings is a Singapore-based investment holding company. It was established in 1974 by the government of Singapore as a means to hold and manage key economic, defence and communication strategic investments. It is wholly owned by Singapore's Ministry of Finance. Companies under the arm of Temasek Holdings' investments are generally more efficient than a proportion of the region's State-Owned-Enterprises, as these companies are expected to generate economic returns, break into new markets and innovate.

[5] It has also been ranked as the top in terms of corporate governance among companies in Singapore, Hong Kong and Japan in the recent survey conducted by International Shareholder Services (ISS), a US-based shareholder advisory firm specializing in corporate governance. This latest coup is in addition to top spots it won in four polls in two years in the area of corporate governance. ISS Corporate Governance Rankings assessed 1,785 non-American companies worldwide (*The Straits Times*, 11 May 2004).

[6] Taken from (http://home.singtel.com/attachment_hub\fullannual report\Balance_Sheets.pdf).

consolidated all its prior charitable efforts into a corporate philanthropy program known as the Touching Lives Fund. This Fund, the largest philanthropy project in the company's history, supports children's charities affiliated with the National Council of Social Service (NCSS) such as the Rainbow Center, Singapore School for the Deaf, Singapore School for the Visually Handicapped, Spastic Children's Association School and Singapore's Children Society. Contributions from the Fund go towards helping the beneficiaries run programs, which include education, training and therapy for children with disabilities (http://home.singtel.com/touchinglives/beneficiaries.asp) regardless of race or ethnicity. Unlike the other cases considered in this book, the Singapore case does not focus on poverty alleviation or environmental preservation. Absolute poverty, as defined by the United Nations, is relatively insignificant in Singapore.

Description of the Program

SingTel's *Touching Lives Fund* has two components: fundraising and public education; and the allocation of funds for the charities that provide social services to children in Singapore with physical and intellectual disabilities.[7]

The fundraising and public education roles go hand-in-hand because, for some potential donors, intellectual disabilities such as cerebral palsy and autism may not be as obvious as physical disabilities. Television stations and newspapers, which are either fully or majority state-owned, have been ardent in making the public aware of the plight of these children and have been an effective instrument for rallying public support for SingTel's fundraising campaign under the *Touching Lives Fund*.

Through the involvement of the community (employees, corporate clients, media and the public), SingTel has met its fundraising targets in the three years since the Fund was established. The company has used its existing wide network of business and private clientele to reach to as many potential donors as possible, at the lowest possible costs, giving the company an advantage over other business organizations in the dissemination of relevant information and in soliciting support for its CSR activity.

The Fund's resources are allocated and implemented through the NCSS, which is the umbrella organization and overseer/regulator of all

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[7] Apart from fund-raising for charities, SingTel has also provided phone line sponsorship—a significant benefit for voluntary welfare organizations which hold counseling sessions and operate help lines for people seeking help. From 1991 to 2000, SingTel donated $160,000 annually to help offset the costs incurred. Since 2001, it has increased the annual sponsorship to $200,000.

charities and voluntary welfare organizations in Singapore. The NCSS also has strategic alliances with the relevant government agencies (such as the Ministry of Community Development and Sports, Ministry of Finance, Ministry of Education and Ministry of Health), voluntary welfare organizations, the corporate sector and the community at large.[8] SingTel consults NCSS regarding the choice of charitable organizations to be beneficiaries of the Fund each year. Although the choice is based on NCSS' recommendations, SingTel provides certain principles and guidelines to ensure that the chosen charitable beneficiaries cover all ethnic groups and religious affiliations. Once the beneficiaries are chosen, these charities are left to decide how the funds can be put to best use.

SingTel's employees are also encouraged to volunteer their time and effort to help children with disabilities in Singapore. Recently, a group of SingTel employees helped children at the Special Schools run by the Movement for the Intellectually Disabled of Singapore (MINDS) to enhance their computer skills. The management is now considering promoting employee volunteerism by allowing employees to take a certain number of days a year off work with pay.[9]

The Process

For three to four months every year SingTel conducts a range of fundraising projects and events involving its own employees, its corporate clientele base and the public at large to finance the *Touching Lives Fund.* For instance, senior management, board members and SingTel employees go on a yearly flag-day drive to raise funds at public places such as train stations, shopping malls and major city streets. Donors are given small stickers to wear to show that they have given money. Employees have also contributed through the *Social Help and Assistance Raised by Employees* (SHARE)[10] program. SingTel matches its employees' contributions dollar-for-dollar and total donations to SHARE come to about $320,000 annually.

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[8] NCSS, through the Community Chest, has forged new partnerships with more than 40 organizations (including government and non-government organizations) and more than 2,130 corporate partners.

[9] This is from a personal interview conducted with the Director of the Corporate Communications Department of SingTel on April 19th, 2004. Two days off work with pay are currently being considered to encourage more volunteerism among employees.

[10] SingTel received a Bronze SHARE Award for that contribution. SHARE is a program for individuals to pledge a monthly donation to the Community Chest, which is the fundraising arm of the National Council of Social Service.

Golf championships between SingTel's CEO and senior managers of other companies have also raised money for the *Touching Lives Fund*. The company with the highest bid has the privilege to play golf with CEO Mr. Lee Hsien Yang. There are other lower-profile events, ranging from trips to the zoological gardens for children with special needs to executives-turned-car washers (http://home.singtel.com/touchinglives_2002/activities.asp).[11]

SingTel has other CSR projects that promote sports and arts education in Singapore. For example, SingTel Optimist Open Championships are regularly held to promote sailing among local youths. The Fund contributed S$180,000 in 2003 to the Yong Siew Toh Conservatory of Music Scholarship Fund to sponsor arts education for exceptional Asian-Pacific students.[12] SingTel offers scholarships enabling the Conservatory to recruit students of the highest caliber from the Asia Pacific region.

In 2004, the Fund (in which SingTel will match a dollar and twenty five cents for every dollar of donation—just for this year to commemorate SingTel's 125th year of existence) will help the following welfare associations and services centers:

○ Asian Women's Welfare Association (AWWA) *Teach Me*. This is an integration support program that caters to children with physical handicaps in mainstream education, aged 2 to 18 years. The program assists children with special needs to gain admission to the mainstream pre-school/school system and to maximize their educational abilities by providing rehabilitative support (physiotherapy, occupational therapy and speech therapy), educational and psychological support, social support (counseling and outing), financial support (tuition, transport, school fees and equipment), loan of equipment, assessment and prescription of assistive devices, and center-based rehabilitative and educational services for pre-schoolers.

○ Help Every Lone Parent (HELP) Family Service Centre, which helps single-parent families that are disadvantaged and vulnerable. The ser-

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[11] The executives-turned-car washers decided to clean the cars as a way to recognize the work of employees who helped raise more than $220,000 for the SingTel *Touching Lives Fund* (*Business Times Singapore*, 15 September 2003). Corporate executives from DBS Bank, Ericsson, Huawei Technologies, Siemens, UBS, and other companies participated in the SingTel charity golf event. This event raised over $400,000 for the SingTel *Touching Lives Fund* (*Business Times Singapore*, 23 August 2003).

[12] This Music Conservatory is housed at the National University of Singapore campus and was founded in collaboration with John Hopkins University's distinguished Peabody Institute. This contribution is sufficient to provide an opportunity to realize the musical ambitions of three promising students from the Philippines, Singapore and Thailand—countries where SingTel has major business operations.

vices provided help children cope with emotional healing from the loss of a parent. The Centre also runs a mentoring program. Volunteers play the role of big sister/brother to help children manage their problems.

○ Movement for the Intellectually Disabled of Singapore (MINDS), which provides special education for children with intellectual disabilities. The school's program helps promote the development of every child by providing training in self-help, social and basic academic skills, and other functional skills to prepare them for independent living, integration into society and future employment.

Because SingTel lacks expertise in organizing and implementing the appropriate specific programs that will benefit children with disabilities in Singapore, it channels funds through the National Council of Social Service. Thus, while the role of SingTel is to raise funds and educate, the role of NCSS is to regulate and implement the use of these funds. Through the NCSS' established links with all charities and other stakeholders in Singapore, and its comprehensive knowledge of the needs of these children in Singapore, NCSS is in the best position to decide which charities should be the beneficiaries of the Fund.[13]

The close relationship with the Ministry of Community Development and Sports is important because NCSS is ultimately under its jurisdiction. The Ministry of Education trains and attracts teachers to educate children with intellectual and physical handicaps. The Ministry of Finance provides some funding for NCSS operations, while the Ministry of Health provides assistance on health and other medical issues affecting the children under the care of the charitable organizations.

The government of Singapore also plays an important role in that it provides the policy environment and the fiscal incentives for donors of the Fund. Although the government is said to be adopting a "light" approach to regulating these charities (known as Institutions of Public Character or IPCs), it imposes a condition that fundraising expenses must not exceed 30 percent of total funds raised. The Inland Revenue Authority of Singapore (IRAS) also imposes a similar 30 percent limit on all fundraising expenses by the IPCs in Singapore. Charities registered with the IRAS do not have to pay tax on their income but do have to spend at least

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[13] Welfare organizations that are members of NCSS (currently 291 members) receive funding from NCSS. Other welfare organizations can draw from a $150 million endowment fund administered by NCSS. The money in the fund, most of which comes from government grants, has been built up since 1992 and used only with the permission of the Minister for Community Development and Sports (*The Straits Times*, 8 April 2004).

80 percent of the income on their charitable objectives (*The Straits Times* 20 April 2004). All IPCs must also submit audited financial accounts annually to the IRAS, which must be posted online for public scrutiny.

As for fiscal incentives to individual donors (personal and corporate), the government provides double tax rebates, which allow individual donors to deduct two dollars for every dollar donated to charities from their income tax liabilities. This appeals to the corporate sector and the public at large. Under Singaporean tax laws, a double tax deduction (twice the donation value) will be given for most donations made on, or after, January 1st, 2002. Gifts of money to any IPC or the Singapore government constitute a donation. This donation scheme is applicable to individuals, companies and groups of persons (http://www.iras.gov.sg/charity/donation.htm). All of the charitable organizations that SingTel deals with in the *Touching Lives Fund* are IPCs.

Since SingTel is eligible for a double tax deduction when it prepares its income statement, it is a surprise that the tax paid on its profits fell from approximately 22 percent in 2002 to just four percent in 2003.[14] This suggests that SingTel's corporate social responsibility, expressed in its *Touching Lives Fund*, is economically beneficial to the company as it increases the real profits of the company.

NCSS is autonomous from the civil service system but is under the jurisdiction of the Ministry of Community Development and Sports. It is, however, run like a private enterprise in terms of operation and is expected to be self-financing with no reliance on the government budget for funding. Its close relationship with the relevant government agencies does not jeopardize the efficiency and effectiveness of its overall social services operation because of the overall good quality of governance in the government sector (in contrast to some developing countries in Asia where CSR activities are constrained by poor governance).

SingTel's motives in CSR intervention are clearly motivated by both altruistic and commercial considerations. In Singapore and the Association of South East Asian Nations (ASEAN) region in general, where social security is either minimal or non-existent, government-linked companies need to play a more active role. As SingTel's President and CEO Lee Hsien Yang said,

> *SingTel has over the years transformed itself from a statutory board to become an MNC with operations across the Asia Pacific. We have, however, not forgotten our roots. No matter where our business may take us, we remain a corporate citizen of Singapore and are committed to playing an active role in the community and social development*

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[14] This is based on SingTel's income statement on March 31st, 2003.

Table 5.3: Differences between Mass and Relationship Marketing

Mass marketing	Relationship marketing
Transactions	Relationships
Volume	Value
Mass production	Mass customization
Assumed needs	Actual needs
Acquisition	Retention
Independent contracts	Integrated contracts
Impersonal communications	Personal communications
Remote	Intimate

Source: Temporal 2000.

of this country. (http://home.singtel.com/news_centre/news_releases/2000-09-20.asp).

On the other hand, like all companies that provide services to consumers, SingTel uses advertising to promote its particular characteristics or brand values. As a telecommunication company, it reaches out to domestic households and the business sector, projecting itself as a caring, dependable, confident, innovative, resourceful and knowledgeable organization ("caring, dependable, and confident" for families, and "innovative, knowledgeable, and resourceful" for businesses). One way to be perceived as a caring organization is through CSR efforts.

In addition, there is a changing paradigm in the marketing scene, with a shift from mass marketing to relationship marketing (Temporal 2000) (See Table 5.5).

To recap, SingTel's acts of corporate philanthropy, such as monetary contributions, have been accompanied by CSR initiatives to improve the community in the country where SingTel has its home base. While it might be argued that SingTel is not especially active in other countries where it has established offices, it remains to be seen if SingTel will become more proactive in Australia, where SingTel-Optus is its next most prominent operation, after Singapore.[15] This could potentially indicate the degree

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[15] Based on the hypothesis that the Singapore Government would expect their majority-ownership companies to practice CSR in Singapore. It is possible, then, that only CSR efforts beyond Singapore, and free of governmental influence, can be truly considered as corporate CSR. This might be overly simplistic, but it is nevertheless useful to catalyze further considerations for CSR.

of corporate social responsibility that SingTel could undertake in other countries of operations. The company has a huge potential for CSR, with over 19,000 employees worldwide.

One similarity between SingTel and a large number of more successful, but relatively new, CSR programs is the consolidation of charitable or community projects into an individual branch. The consolidation of CSR efforts into a "Fund" indicates a more concerted and sustained effort by the corporation. This is also more efficient for the purpose of measuring the success of the CSR projects carried out by the corporation.

Results of the Program

Despite the difficult economic environment in Singapore in 2002, SingTel's employees, business partners, customers and the public under the umbrella of the SingTel *Touching Lives Fund* were able to raise a total of S$1.7 million (much more than what they planned) for charities to help children and young persons in need. In 2003, SingTel raised S$1.8 million, including S$750,000 for patients, healthcare and those affected by the outbreak of Severe Acute Respiratory Syndrome (SARS) in Singapore. The increasing number of partners supporting SingTel's fundraising drives and the increasing quantity of money raised further indicate the effectiveness and success of SingTel's fundraising program. Its success demonstrates how the CSR concept can be successfully implemented based on government-business-community partnerships.

In recognition of the company's philanthropic initiatives, SingTel was presented two awards by the President of Singapore on behalf of the Community Chest of Singapore, namely the Corporate Platinum Award (for the second year running) and the Special Events Platinum Award, presented to corporations for their significant contributions to the community.

The impact of SingTel's *Touching Lives Fund* on Singapore as a community can be categorized in two segments: the part of the community directly affected by the Fund (charitable organizations, beneficiaries, and SingTel management and employees who conducted the charity drive), and the public, which did not gain any benefits, but were strongly encouraged to contribute to the Fund by either subscribing to SingTel's broadband services or simply calling in and using its telecommunication service.

SingTel's CSR impact on the former is commendable. Its financial aid has provided significant support for the social service programs organized by charities for physically handicapped and intellectually disabled

children.[16] See Appendix 5.1 for an overview of the various beneficiaries of SingTel's *Touching Lives Fund*. Just in terms of monetary significance, the S$1.8 million (US$1.078 million) raised in 2003 accounts for about 10 percent of the total funds allocated for children's charities.[17] In 2003, many nursery school students with hearing impairments at the Singapore School for the Deaf were able to improve their speech and language after being fitted for hearing aids, thanks to the Fund.[18]

Apart from strategic alliances with its stakeholders, the NCSS has instituted program evaluation systems and best practice guidelines, which help the voluntary welfare organizations and other beneficiaries of the Fund assess their outputs and outcomes, and the overall quality of their programs.[19] To ensure that these systems and guidelines are complied with, submission of quarterly reports on their activities and outcomes is required by the NCSS. The newly formed Council on Governance of Institutions of Public Character (formed in January 2004) can also play a role in policing charities, ensuring they raise and use funds properly (*The Straits Times* 7 April 2004).

To further illustrate the social and economic impact of SingTel's fundraising activities, when the SARS outbreak severely hit Singapore in March and April 2003, the funds raised helped victims and their close relatives cope with the disease. As previously mentioned, in addition to the S$1.8 million, SingTel raised S$750,000 for patients, healthcare workers, and others affected by the outbreak through the SingTel *Touching Lives Fund*. All public donations made to the Fund in the month of April 2003 were channeled to the *Courage Fund*, which provided relief to those affected by the disease. SingTel matched dollar-for-dollar telephone donations. Besides cash donations, SingTel also provided S$20,000 worth of mobile phones and mobile phone services to the Communicable Disease Center for use by SARS patients and those quarantined at the Center.

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[16] It is estimated that for every 1,000 babies born in Singapore, one has Down's syndrome, on average (*The Straits Times*, 17 April 2004, p. H11).

[17] Forty two percent of the total funds raised in 2003 by the National Council of Social Services (S$42 million), went to children's charities. See National Council of Social Service, *Annual Report 2002/2003*. Moreover, since the Singapore Pools funds the administrative costs of the NCSS, money raised for the Fund is entirely reserved for the operations of the charitable organizations.

[18] See: http://home.singtel.com/touchinglives_2003/ls_giveakidthegiftofbetterhearing.asp and http://home.singtel.com/news_centre/news_releases/2000-09-20.asp

[19] NCSS plays a strong leadership role in pushing the message of accountability and good governance in the social service sector so that it can better serve the disadvantaged in Singapore. This is achieved by monitoring social trends, setting service standards, promoting service integration and specialization, social service research and advocacy, social service manpower development and allocating funds for needed services.

There are also positive impacts on SingTel's employees, as volunteerism is seen to help develop characteristics such as creativity, trust, teamwork and persistence. It also builds skills and attitudes that foster commitment, company loyalty, and job satisfaction. Research has shown that morale is three times higher in companies with volunteer programs and that there is a positive association between employees involved in corporate volunteer programs and better physical health, mental health, and social interaction (Caudron 1994). Moreover, these employee volunteer programs help the company attract and retain good employees, who feel motivated to stay in an organization that practices social responsibility. Viewed in this light, SingTel's CSR influence on its employees and management have brought about positive, sustainable benefits for the company and for the rest of the community.

Problems

The fundraising aspect of SingTel's CSR experience can be considered quite successful, and the Fund's impact on the children with disadvantages in Singapore is also quite significant. However, SingTel's impact on the part of the community not directly impacted by SingTel's CSR may be less than desirable. In an informal survey conducted with 30 National University of Singapore (NUS) students, we asked if they have heard about SingTel's *Touching Lives Fund*. Only three of the respondents had heard about the Fund, despite its two years of existence, and none of the respondents understood what the Fund was all about. The lack of complete information on the characteristics of the Fund was one of the main reasons many respondents did not understand or were not interested in participating in it. Furthermore, some felt that the amounts donated by SingTel were insignificant compared to the net profits they earned in those financial years. Moreover, the perceived tax benefits gained by SingTel through their charities have cast further doubts on the company's sincerity. It would be interesting to see how SingTel would respond to these accusations. Already, there has been discontent over SingTel's charging tele-poll service to callers who make donations to *Touching Lives Fund* charities (*The Straits Times* 22 April 2003). Many people felt that SingTel should cover these costs if they were truly sincere about their social responsibility towards the community.

Despite all the real and potential negative repercussions of SingTel's involvement in the *Touching Lives Fund*, it should be noted that SingTel's CSR efforts did not necessarily require the company to donate huge sums of money for the projects to benefit the local community. Rather, the role the company has assumed is most important. The most useful, valuable

and sustainable contribution by SingTel could be the synergy that it provides to existing community projects, as well as serving as a catalyst of new community programs by providing the needed technical, managerial and financial resources. However, the tax rebates issue and whether the tele-poll charity calls should be paid for by the company, remain challenges facing the company. Unlike Sony, which has relied mainly on environmental management to justify their social responsibility in the community, SingTel will continually face these "problems" simply because this involves donations and money—a more sensitive issue.

There are other challenges facing SingTel's CSR work. First, since the bulk of its interventions are in the form of fundraising, they are highly sensitive to the economic conditions of the country. The year 2003 was characterized by slower growth and a depressed economy, aggravated by the outbreak of SARS. Although the amount of money raised did not decline, fundraising activities encountered more difficulties and required more hard work. Second, SingTel has to consistently devise new and creative ways to raise funds as donors and prospective donors could easily get tired of the same appeals year after year. Third, although volunteerism is a growing effort, there is still a lot of room for improvements in this area to make SingTel's CSR more effective. Although the financial factor is important, time and effort are also important to the success of any CSR intervention. Fourth, with greater competition for the limited charity pie, fund raising activities have become increasingly difficult, especially in light of the recent debate on the need for charity organizations to be transparent regarding their reserves, and on the issues of the appropriate size of reserves, donors' knowledge of how much of their donation goes to the beneficiaries, and the number and kind of programs involved. Although some major charities continue to raise staggering sums of money from the public, some of the 1,700 registered charities in Singapore struggle to make do on very few donations (*The Straits Times* 7 April 2004).[20]

On a general note, although CSR has gained increasing acceptance in the business community of Singapore, the recent economic slowdown and global insecurity is seriously challenging the development of CSR. Some companies are not able to see a correlation between adopting the principles of CSR and their overall business performance. They would

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[20] Competition for funds has heated up with the number of welfare organizations ballooning from 400 in 1983 to more than 1,700 currently. There are only 821 charities that are considered as institutions of public character (IPCs) and which receive funding from the NCSS and tax deduction benefits (provided that they have to spend at least 80 percent of the income on their charitable objectives) (*The Straits Times*, 20 April 2004).

like to see more evidence that social responsibility would help to increase their international competitiveness and market penetration. Where CSR is viewed as a philanthropic add-on, it is vulnerable to cost cutting; where CSR is integrated within the core business strategy, it is likely to remain strong. Ultimately, the long-term success of CSR will depend on its ability to be positioned within the core business strategy and development, thereby becoming part of "business as usual."

CSR has tended to be adopted more by large multinational companies than by small and medium-size enterprises (SMEs). Business benefits such as reducing operational costs through environmental efficiency and enhanced reputation through positive responses to stakeholders' concerns, are not really significant to SMEs. It is much easier for large companies than small companies to adopt CSR. It is crucial to find ways to advance these issues without imposing prohibitive costs and other resource barriers to the majority of companies in the world.

Lessons Learned

This is a successful case of government-corporate-community partnership. Among the major lessons learned is the value of forging multi-sector partnerships and the importance of providing effective leadership by example to derive the synergy required for a successful CSR intervention. SingTel's CSR intervention has made a significant impact on the lives of the disadvantaged youth in Singapore because it goes beyond traditional charity by setting an example and getting the community (particularly employees, corporate partners and the general public) involved under its effective and credible leadership. For example, to raise money for the Fund in 2002, SingTel gave a matching dollar for every dollar contributed by the public during the first SingTel Flag Day, which involved more than 1,000 SingTel employees, their family members and friends. A charity golf event received strong support from SingTel's business partners. Customers who used SingTel's IDD 001, *SEND and Broadband services helped raise money for the Fund, as SingTel donated part of the revenues collected. Those who recycled their old telephone directories in July also contributed to the Fund, aside from doing their bit for the environment. SingTel gave S$97,000 for the 97 tons of directories that were recycled (S$1 per kilogram). The public also supported the Fund through direct contributions. More than S$190,000 in donations were received through various channels, including calls made to special 1900 and *SEND numbers, and SingTel matched these donations.

Strong support from government and a harmonious relationship with it are crucial to the success of any CSR intervention.[21] As exemplified by SingTel, which has enjoyed full support from the government at the highest levels, effective company-government partnerships will make the implementation of CSR activities less difficult, particularly in a regulated environment. Fundraising and other organized welfare activities require government approval and are subject to certain government guidelines. Without government support it would be difficult for any organization to conduct their operations.[22] However, to make the company-government partnership work for the community, government must set out and effectively enforce a clear set of rules and guidelines, without interfering into the day-to-day operations of the various stakeholders involved in the process of implementation. In the case of Singapore, although there is a close relationship between SingTel and the government (providing a politically and socially stable environment), SingTel has full autonomy and independence in its CSR activities. The government of Singapore has adopted an arms-length policy towards SingTel and the NCSS in terms of running the program, although it sets up guidelines conducive to effective delivery of social services.

It is also essential for any business organization to develop a well-crafted plan guided by its corporate mission and vision, that can unify the various elements and main actors of the CSR intervention. The experience of SingTel has shown that the different actors in CSR interventions have varied objectives and motives. While corporations have their commercial motives, charities want to raise as much as possible in donations, while government pushes its own agenda. What is needed, therefore, is a unifying element that can bind these three groups of actors. Moreover, senior management must be fully supportive of the corporate philanthropy initiatives. Judged on this criterion, SingTel has performed remarkably well. The strong and productive collaboration of the various stakeholders of SingTel is a reflection of a well-crafted and managed plan.

SingTel's experience shows the importance of transparency in the operation of community services. In light of the growing competition for

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[21] *The Trend*, a welfare home for troubled teenage girls, would have been very unlikely to raise more than $2 million last year, if not for the help of Senior Minister Lee Kuan Yew's daughter, who offered some of her family's possessions for an auction (*The Straits Times*, 7 April 2004).

[22] An NGO official said that it took AWARE 12 years before they could persuade NUS to remove the quota limits for women to study medicine at NUS. It was also said that another NGO which worked for the interests of the disadvantaged (advocating the abolition of the death penalty and improving access for the physically handicapped in buildings) was later branded as anti-government for its advocacy of human rights protection and found it hard to raise funds and organize activities.

funds and the recent controversy over the appropriate amount of reserves to be accumulated by certain welfare organizations, donors and the public at large are becoming more concerned about how the funds could really benefit the disadvantaged in Singapore. It would be better for donors and the public to know how much of the funds raised would go to the intended beneficiaries and how the activities funded would make a difference to the lives of the disadvantaged in the community.

Finally, SingTel's successful CSR experience shows how a company with considerable business operations and a broad client base can effectively make use of its well-established networks and resources to make a difference in the community. In every country there are business organizations that are in the best position to assist the disadvantaged in the community because of their considerable resources and established links with other stakeholders. Exploiting these comparative advantages for the benefit of the less privileged will certainly have a social impact far greater than traditional charity.

Conclusion

Over the past years, the pursuit of profit maximization has been the main goal for businesses and industries in Singapore. Sustained inflows of foreign investment, consistently high economic growth and low unemployment rates have been the main priorities for the government and business alike. The cost-benefit principle suggests that an individual (or a firm or a society) should take action if, and only if, the extra benefits from taking action are at least as great as the extra cost (Frank and Bernanke 2001). In similar fashion, social responsibility requires companies to balance the benefits to be gained against the cost of achieving these benefits. The traditional theory assumes that self-interest motivates people in business toward profit maximization. However, the pursuit of self-interest is characteristic of people, not of organizations. A firm is not a real person; hence, it really cannot have the motives to maximize everything (Monsen and Downs 1965). Large corporations in Singapore therefore are starting to become more sensitive to public, union and government criticisms than are the owners and managers. Based on this consideration, "top managers will be more conciliatory in their public dealings than would normally be required for profit maximization" (Walton 1967).

In addition, most modernists in the field of economics believe that the public good cannot be achieved solely by governments or private associations, but through contributions that are appropriate to the unique capabilities of each (Walton 1967). The enmity between government and

business must be put aside. In short, the concept of social responsibility recognizes the intimacy between corporations and society, and realizes that top managers must keep such relationships in mind as the corporation and related groups pursue their goals. However, being a relatively new phenomenon, the development of CSR in Singapore poses a challenge to companies and the government. The examination of SingTel's CSR experience should serve as a benchmark and provide lessons for other companies in Singapore and the region, as they undergo the process of achieving and implementing corporate social responsibility. However, it should be pointed out that although there are indeed lessons and preconditions to be learned for a successful CSR intervention from the Singapore experience, the relative importance and weight of these preconditions depends on the specific political, economic and social circumstances of each country.

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APPENDIX 5.1

Beneficiaries of the SingTel Touching Lives Fund in 2002

Ang Mo Kio Family Service Centres—SELF Program
The Sensitize, Experience, Learn & Feel program was developed to equip young people with basic life skill competencies such as responsibility, accountability, choices, consequences and respect for self and others. The aim is to enable them to cope better with the challenges and demands of school life and thereafter. Since its inception, evaluation has shown positive impact on the students, both in terms of quantitative and qualitative results. The schools have also indicated that they have seen changes in their students' behavior. Website: www.amkfsc.org.sg

APSN Chao Yang Special School
Chao Yang Special School, run by the Association for Persons with Special Needs, caters to the needs of educationally challenged children. The Special School provides special education that is aimed at teaching children aged 6-13 years.Website: www.apsn.org.sg/sch_spec.htm

AWWA Project Challenge
The AWWA Project Challenge caters to children and youth diagnosed with autism spectrum disorder. The Early Intervention Program for Infants and Children helps children with this disability from ages 2–6. It focuses on the child's skills, interests and needs, and provides the earliest intervention possible where their functioning capacity could be further developed and increased. This program will help parents identify the problems in their children early and help them cope with their disability with the hope that they can be integrated into society. Website: www. awwass.org.sg

HELP Family Service Centre
The HELP Family Service Centre helps single-parent families that are socially disadvantaged and vulnerable. Services provided help children heal emotionally after the loss of a parent. The Centre also runs a mentoring program. Volunteers play the role of Big Sister/Brother to help the children manage their problems and provide a listening ear. Website: www.helpfsc.cjb.net

MINDS Towner Gardens School

This special school, run by Movement for the Intellectually Disabled of Singapore (MINDS), aims to maximize the potential of intellectually disabled children. The school helps to promote their development by providing special education and training in self-help, social and basic academic skills, and other functional skills to prepare them for independent living, integration into society and future employment. Website: www.minds.org.sg

Rainbow Centre Preschool Integration Enhancement Program

This program aims to enhance the learning of children with disabilities so that they are able to successfully integrate into mainstream schools and receive education. The target of this program is pre-school children with Down's syndrome, cerebral palsy, multiple disabilities and disabilities associated with neurological conditions. Website: www.rainbowcentre.org.sg

SADeaf Early Intervention Program

This program aims to assist hearing-impaired children develop their residual hearing, providing speech therapy to children below the age of six years old. Early intervention programs are crucial to prevent the disability from becoming a handicap. It has been proven that early intervention helps reduce the impact of the disability and in some instances, helps integrate them into mainstream schools. Website: www.sad.org.sg/sb_serve.htm

Singapore School for the Visually Handicapped

This special school provides early intervention and primary education with a special program to cater to children with other disabilities as well as visual impairment. The children follow a normal school curriculum using Braille and low-vision aids. The school has been successful in integrating children into mainstream secondary school, due to the teachers' dedication and a low teacher-pupil ratio. Website: www.ssvh.edu.sg

Spastic Children's Association School

This special school provides education for cerebral-palsied children and trains them for future employment. The children learn not only academic subjects, but also participate in activities to enhance their daily living, social competency and life skills. The children get therapy rehabilitation such as physical, occupational and speech therapy. Website: www.spastic.org.sg

Students' Care Service—Educational Psychology Service

The main aim of this program is to enable students with educational difficulties to function optimally by providing them with training in basic language, literacy and numerical skills. The automatic promotion system in schools can easily result in upper primary students functioning at a lower level ability. The gap between what they can do and what is expected of them will continue to widen. This program helps to identify students who need help to prevent them from low self-esteem and becoming disinterested in their studies. Website: www.students.org.sg

Corporate Citizenship as an essential element of Corporate Social Responsibility (CSR):
A case study of NEC's Corporate Citizenship Activities

By Hitoshi Suzuki

Japan is a good example of an Asian economy which, in the long history of interaction between business (corporations) and civil society (communities), has taken a roller coaster ride from the "miracle period" to the "crisis years" and on to the current "turn-of-the-millennium recovery trajectory." Social contributions by companies have mainly taken the form of philanthropy through the return of profits to society. This chapter, however, will discuss other activities being implemented as part of the NEC Corporation's operationalization of CSR, that is, the company as a good corporate citizen. For companies to continue social contributions in a severe economic environment, it is important that they position these activities as a strategic social investment for boosting value in a balanced manner both for stakeholders and for the company itself. This requires a clear grasp of efficiency, cost effectiveness, created value, and the results of social investment. A system for measuring and evaluating these parameters is thus necessary.

NEC has strategically positioned its corporate social contribution activities as an essential part of corporate social responsibility. It has introduced a self-designed system for evaluating corporate citizenship programs in order to make them more effective and to generate value for the company and for its communities.

NEC is a Global Fortune 500 company and is a patent-producing world leader in providing broadband and wireless networks, IT products, services, and solutions. It is headquartered in Tokyo, with 143,000 employees at 130 offices and companies in 44 countries. NEC has been operating for over a century and has annual sales of around forty billion dollars.

Trends and Rationale for Corporate Social Contributions in Japan

The "Workers Refresh" movement was established by the Japanese Ministry of Labor in an effort to encourage Japanese to use their paid

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time off (PTO) in satisfying ways, so that the individual lives of workers can be more balanced. This was of particular concern during the days of Japan's high-powered "economic miracle," with its attendant problem of workaholism. Idleness was a source of discomfort to workers being encouraged to take their PTO, and volunteerism was being suggested as an alternative. Opportunities were organized and publicized by the Kinosha Refresh Jigyo Shinko Foundation (roughly translated: "Promotion of Workers' Personal Time Activities"). There is interesting data about how Japanese companies think about corporate social contributions from a survey conducted by the Sumitomo Life Insurance General Research Center. According to this survey, in October 2001, 52 percent of 1,165 companies responded that they were currently contributing to society through corporate philanthropy. (There had been a downward trend from 1991 through 1998, when only 45 percent responded positively, but the 2001 figure was equivalent to the level of 1995.) Among large companies with over one thousand employees, about 80 percent are making some contributions to their communities in addition to adding value to society through core business products and services.

Why do so many major companies in Japan make these social contributions? According to a survey conducted by Nippon Keidanren (Japan Business Federation) in 2003, 85 percent of companies position corporate social contributions as an important part of CSR. Seventy-two percent focus more on their own communities, 43 percent of respondents using it as a way to expand communications with their own communities. These numbers are increasing year by year. By contrast, only 31 percent now consider this a tool for returning a part of their profits to society, down from 47 percent, indicating that this thinking is decreasing year by year. It should be highlighted that there are even some companies (7.1 percent) that have started defining social contributions as more strategic "social investment." The numbers from this study imply that many companies now consider their communities to be important stakeholders and care for them as good corporate citizens in the context of CSR.

In Japan, "corporate social contributions" and "corporate philanthropy" (literally translated from Japanese) are the terms generally used for a company's initiatives to contribute to society at large. This idea is derived from the long-established perception in Japan that companies must contribute to society, not only through their business, but also through philanthropic efforts to return profits to society.

However, this idea has gradually evolved, especially in the case of global companies. In the early 1990s, many major firms started handling these practices more proactively and strategically as good "corporate citizens."

The driving force behind this trend was a strong initiative by the Keidanren, influenced by U.S. companies. Many Japanese global companies established corporate credos, policies, and internal organizations or departments dedicated to promoting corporate citizenship programs and activities.

Business for Social Responsibility, a U.S. organization (**http://www.bsr.org/**), defines CSR as achieving commercial success in ways that honor ethical values and respect people, communities, and the natural environment. It can also contribute to sustainable development of both society and companies.

There are four major motivations for companies to undertake CSR seriously: enhancement of companies' reputation, risk control, market requirements and enhancement of employees' morale.

"The 15th Corporate White Paper " titled "Market Evolution and CSR Management," published by the Keizai Doyukai (Japan Association of Corporate Executives) in March 2003, reported that CSR is viewed as a vehicle for synergizing sustainable development in companies and society, as one of the core investments vital to companies' sustainable growth, and as voluntary efforts beyond legal and ethical compliance. Society is regarded as one of a company's stakeholders and corporate social contributions are positioned as an important element of CSR. (This report is available online at http://www.doyukai.or.jp/en/.)

If CSR is positioned more strategically, as a kind of corporate social investment, it can contribute to creating or enhancing value for a companies' stakeholders, including society, customers, employees, and shareholders. Corporate citizenship activities, in addition to helping enhance corporate image and reputation, contribute to raising employee morale, pride and cohesiveness, and have a positive effect on personnel development and recruitment. According to the Japan's Workers' Refresh Foundation survey, 34.9 percent of respondents said that a positive effect on employees was one goal of social contribution activities.

Moreover, if companies strategically link their social contribution activities to the business domain, they can easily create a win-win relationship between society and the company, and even make these activities indirectly contribute to business activities. One example of this is to interlock social contributions and marketing activities in what is called "cause-related marketing."

When a company strategically positions corporate citizenship activities as social investment, the related expenses must be considered costs. It is necessary to accurately measure and evaluate the results (corporate value) and stakeholder value of these investments, and to assess process efficiency and cost effectiveness.

NEC's Concept of Corporate Citizenship Activities and Social Contribution Program Evaluation System

Our community activities aim to build a better future by helping advance societies worldwide toward deepened mutual understanding and the fulfillment of human potential as stipulated in our corporate credo (See Box 6.1).

Today, our world faces a number of critical issues related to the environment, education, and the "divide" between the rich and the poor, and between those with and without information technologies. We would like to be part of the solutions to these global challenges. These ideas are clearly stipulated in our Corporate Credo and NEC Group Charter of Corporate Behavior (See Box 6.1).

BOX 6.1

NEC Corporate Credo (established in 1990):

NEC strives through "C&C (or Computers and Communications)" to help advance societies worldwide toward deepened mutual understanding and the fulfillment of human potential

From NEC Group Charter of Corporate Behavior (revised in 2004 as a Platform of NEC's Corporate Social Responsibility):

The NEC Group works to improve profitability through sound business activities and to achieve dynamic development so as to benefit society. To this end, the Group is aware of the need to enhance its corporate value not only by observing all relevant laws and regulations, but also by fulfilling its social responsibilities as a good corporate citizen. At the same time, the Group must win the trust of customers, shareholders, investors, suppliers, the community at large, its employees, and all other stakeholders.

- o **Attaining Customer Satisfaction:** The NEC Group earns customer satisfaction and confidence by developing and offering beneficial and reliable products and services and by paying careful attention to safety.

o **Developing New Technologies:** The NEC Group strives to develop creative technologies and works actively to break ground in new business areas for the future prosperity of society.

o **Conducting Fair Corporate Activities:** The NEC Group promotes fair, transparent, and free competition between corporations and ensures that its relationships and dealings with government agencies and political bodies are of a normal and proper nature.

o **Disclosing Information:** The NEC Group delivers accurate and sufficient corporate information in a timely, clear, and appropriate manner while enhancing the transparency of its corporate activities.

o **Preserving the Global Environment:** The NEC Group reduces the impact on the global environment and contributes to building a sustainable society.

o **Maintaining Good Relations with the Community:** The NEC Group respects the customs and cultures of all regions and countries and manages its activities in a way that contributes to community development.

o **Conducting Thoughtful Corporate Citizenship Activities:** The NEC Group fully recognizes that it is a key member of society and actively engages in philanthropy and other activities of social benefit as a good corporate citizen.

o **Protecting Human Rights:** The NEC Group respects human rights in all its corporate activities, never accepting any discriminatory practices or child or forced labor.

o **Valuing Employees:** The NEC Group respects each employee's individuality and creates work environments where all its employees can fully demonstrate their abilities and carry out their jobs with enthusiasm.

o **Protecting Intellectual Property and Personal Information:** The NEC Group recognizes the value of intellectual property and personal information and properly manages them.

Under these policies and charters, NEC considers its communities to be stakeholders and, in order to promote community involvement on a global basis professionally and efficiently; it organized the Social Contributions Office as a dedicated unit in 1991.

This office created a system for evaluating social contribution programs, as a tool for raising the effectiveness of corporate citizenship activities, improving operations, and measuring results. This system is described below.

Underlying Concept of NEC's CSR and Corporate Citizenship Activities

The basic mission of any company is to exercise "economic responsibility." Other absolutely unavoidable responsibilities include observing the law, promoting business ethics, endeavoring to disclose information, and conducting business activities with consideration for the environment and other stakeholders. Furthermore, as "good corporate citizens," companies are also expected to play a role in solving social issues and in contributing to creating a sustainable society. One approach is through technological innovations in business practices; another is promoting corporate citizen activities. Such initiatives are also likely to raise the value of a company, enhance social recognition of the company as a "good corporate citizen," contribute to sustainable growth of the company, and also confer a competitive advantage. NEC considers the community to be a stakeholder to the same extent as customers, shareholders, and employees, and the company is committed to making social contribution activities a part of its management strategy, with three goals:

- Active involvement in developing solutions to social issues and contributing to creating an affluent and diverse society;

- Enhancing a corporate culture and corporate values that integrate stakeholder engagement with business strategy, and;

- Building positive relationships with local communities and gaining recognition as a good corporate citizen.

The Social Contributions Office has promoted philanthropic activities in the fields of the environment, education, and welfare, as well as sponsorship activities in the fields of culture, the arts, and sports. Recently, given existing economic conditions and also to further strengthen the orientation toward results, NEC is particularly concentrating on programs that take cost effectiveness into consideration. Under the slogan of "Nature,

<u>E</u>ducation, <u>C</u>ommunity: The Heart of NEC," the natural environment, education, and community (as the arena for business activities and employees' lives) have been defined as priority fields. The following basic criteria have been adopted: relevance to the business domain; "NEC-like" activities through the use of information technology; contribution to a stronger corporate image; respect for originality; emphasis on partnerships with non-profit organizations (NPOs), including non-governmental organizations (NGOs); and cooperation with and involvement of NEC global group companies and employees. Particular focus is placed on employees' involvement in the programs. NEC would like to facilitate opportunities for them to provide communities with their time, expertise, talents and skills as volunteers. This would also help nurture employees' sense of volunteerism.

Partnership with Non-profit Organizations (NPOs)

As described above, cooperation with NPOs, including non-governmental organizations, is emphasized, with two major goals: first, to provide assistance that contributes to strengthening NPOs; and second, to produce concrete results in solving social problems.

NPOs often want companies to offer a full range of their resources. At NEC, such resources are internally referred to as "4P+I," which stands for Profit (funds), People (employees' skills and talents), Products, Place (facilities), and Information (knowledge).

As one of the goals of the activities is to help resolve social issues in cooperation with NPOs, while helping build their capacities, they must meet stringent selection criteria such as those used for selecting partners for business activities. We endeavor to consider even small NPOs, as long as they are unique and devoted to the achievement of progressive activities. The following five guidelines are used to select partner NPOs:

NPO Partner Selection Criteria (Applicable in Japan):

○   NPOs must have legal status under Japan's NPO Law (in principle).

○   Track record of activities (The NPO must have progressive and unique activities, and have a track record. It must have specialized knowledge, project execution capabilities, information diffusion capabilities, and so on.)

○   Financial condition (information on financial management condition, revenues, and their sources must be disclosed).

- ○ Organizational structure (Mission, vision, goals, and personnel composition must be clearly stated. Job status, such as management, specialist staff, paid staff, and volunteers must be clearly stated.)

- ○ Management (Leaders' passion, vision and qualities must be clearly stated. GovernabilityGovernability, transparency, and accountability must be taken into account.)

Partner NPOs Must Understand the Following General Guidelines Regarding Partnerships with NEC.

- ○ Win-win relationship in which the partners work with focus and dedication, while respecting each other and growing together.

- ○ Relationships in which the partners can mutually confirm goals and analyze results.

- ○ Partnerships in which NEC employees can take part.

Regarding the creation and implementation of project-type programs based on partnership, executability shall be enhanced through program management methods (drafting of programs, review, implementation and evaluation of pilot program, if needed, interim evaluation, if needed, and post evaluation) based on the Plan, Do, Check, Action cycle, similar to business activities. Pre-establishing and confirming program goals with partner NPOs is essential.

Social Contribution Program Evaluation System

At NEC, we have introduced methods for the objective evaluation and analysis of social contribution programs as tools for program management and improvement. This system, introduced in 1999, not only improves cost efficiency, but also promotes accountability regarding the objective evaluation of the priority of social contribution activities, budget allocations, and so on. Evaluation is carried out in a preliminary review before program creation and a subsequent review following program implementation. If program implementation takes over six months, an interim review is required.

Significant results have been obtained through this evaluation system, the most significant being the great progress made with the "scrap-and-build" program—a Japanese business concept describing the realization that something may need to be abandoned and disposed of completely and another solution embarked upon from the ground up. In the four

years since the introduction of this system in 1999, thirty sponsorship-based programs gave way to 17 self-designed, community investment programs that contribute to enhancing both social and corporate value. The sharing of internal information and more transparent program management are secondary results.

An Example of NEC's Community Investment and Corporate Citizenship Programs

More than 20 on-going programs have been based on the above criteria. The program described here is the "NEC Make a Difference Day" Program (**www.nec.co.jp/community/en/mdd.html**). This program is a worldwide day for volunteering in communities where NEC operates and NEC employees live. The program was started in 1999 in commemoration of NEC's 100th anniversary. Every year, especially from October to December, more than forty thousand employees and managers from over two hundred offices and group companies participate. Make a Difference refers to making communities "different" by improving their quality of life. It also refers to the "difference" that participating employees and group companies will feel by giving their time, talents, and skills to their communities. Participating group companies and offices around the world are asked to establish at least one day as their "Make a Difference Day" during this three-month period, and there has been a gradual increase in number of participating companies that continue such community-based programs throughout the year, as part of their corporate culture. Each participating office and company group plans and implements its own programs. The purpose of this campaign is to foster volunteerism among NEC employees, strengthen ties between communities and NEC group companies and employees, and enhance stakeholders' lives in the local communities. Volunteerism is also expected to enhance employee pride and NEC's corporate image as a good corporate citizen.

In addition to the community-based programs, there are also "shared programs" designed by the Social Contributions Department at headquarters, to encourage employees to join this global volunteer program. For example, for four years, annual collection drives have been conducted at offices and homes, including fund raising for disaster victims, and drives to collect foreign coins and used postage stamps. These drives brought in $70,000 - $100,000 from employees in Japan for major each earthquake disaster in Turkey and Taiwan (in 1999), India (in 2000), and Iran (in 2004). The NEC Foundation of America granted over one million dollars to 9/11 victims in the USA in 2001. Over 328 kg of used postage stamps

and 449 kg of foreign coins collected have been donated to non-governmental organizations and UNICEF, respectively, for their activities to save less privileged children in developing countries.

Challenges Faced in Creating the "NEC Make a Difference Day"

When we started this plan in 1999, we faced several challenges:

❶ Differences in the attitude toward volunteerism in different countries

❷ The timing of the program

❸ Mobilizing employees worldwide

❹ Gaining understanding and cooperation from NEC group companies and offices around the world regarding employee volunteerism and the campaign

❺ Establishing global networks with all participating companies and offices

Differences in Attitudes Toward Volunteerism in Different Countries

In general, the subsidiaries in the USA, Canada, Australia, New Zealand, South America, and South East Asia understood the significance of the companies' community involvement as good corporate citizens and employee volunteerism. Managers and staff in charge of community relations at NEC's U.S. subsidiaries, as members of the Corporate Community Involvement Council—a U.S. institution—helped launch and solidify the program, helping it expand to the global scale.

Many subsidiaries in Japan, Thailand, Philippines, and Malaysia in Asia, and the U.K. and Ireland in Europe, had already conducted community involvement activities for their own communities, and were supportive to this campaign. However, it was also a fact that some of our subsidiaries in Europe were reluctant and it was not so easy to convince them of the significance of these activities. For example, employees in Northern Europe felt that their government should provide this kind of community service. Subsidiaries in Germany, at first, were not very supportive of this campaign, as they perceived this program merely as part of corporate publicity activities to enhance the company's image; therefore, they would support this program if it was not based on employee volunteerism, but if it was instead done during working hours.

China was targeted as a priority country to promote this program and after an initial lack of success; subsidiaries there have become more active

in community activities. This was due to continuous invitation to participate and also to the gradual development of civil society and a growing understanding of the importance of volunteerism. Year by year, more employees, including managers, now show strong support for this global community involvement campaign.

The Importance of Timing in this Program

We were initially considering setting NEC's anniversary date of July 17 as its "Global NEC Earth Day" to have NEC global employees volunteer to clean up their communities simultaneously. However, after a series of discussions with colleagues in the USA, Europe and inside our department, we concluded that the program should be during the three-month core period from October to December, and should be open and optional for each participating company and plant to select one or a series of days, enabling the greatest possible number of employees to participate.

Promote the Mobilization of Global Employees

A questionnaire filled out by NEC employees in Japan in 2001 revealed interesting data about employee volunteerism. About 70 percent showed interest in volunteering, with 30 percent already involved, another 30 percent who were potential volunteers, and 12 percent who had volunteered before. We discovered that employees needed information and opportunities to start volunteering, and official volunteer leaves.

It is important to generate good opportunities where employees feel welcome to participate. The "NEC Internet Safety Program for Kids" is a good example. It was developed in 1999, in partnership with the non-profit organization Guardian Angels, to teach children and their guardians how to protect themselves from harmful information and crimes on the Internet. The program was developed, based on the U.S. program, the "Cyber Angels Online Safety Program," in an effort to encourage our subsidiary companies to provide their communities with NEC resources such as employees' skills as trainers and the company's training facilities equipped with PCs and other products. Employees engaged in this program as volunteers have formed a team, called "the NEC Cyber Stars." To date, over five thousand children and guardians have participated in this program, which has been held at NEC group companies' training facilities and local schools across Japan.

Recognition is also an important and effective tool to encourage employee volunteerism. We evaluate activities of all the participating offices and companies and select 20 "Best Practice Award" winners every year. Plaques are presented to these winners under the name of NEC's president.

Establishing Global Networks with all Participating Companies and Offices

Top management's commitment and leadership are keys to success. After broadcasting our president's voiced message via the Internet, calling on employees to join this program, we sent procedure manuals to top management and CEOs at all NEC offices and group companies around the world.

Effective networking with all participating group companies is also an important vehicle to promote the campaign efficiently. Top management at each group company and office appointed a manager as coordinator/facilitator. Meetings of these coordinators were held in Japan to guide them to plan and implement their own programs for communities. There were also face-to-face meetings between sister companies outside Japan.

It is quite clear that this program would not have succeeded without e-mail and the Internet. At first, we considered relying on NEC's Intranet, but found that some subsidiaries and offices in Africa and Asia were not connected. We used the Internet to broadcast information such as manuals and to post the results of each activity to the public and to NEC employees around the world.

Lessons Learned

We surveyed the results of this program in fiscal year 2003 through a questionnaire to local program coordinators at each participating group company and office around the world at the conclusion of "NEC Make a Difference Day 2003." Fifty-seven percent of employee coordinators responded that this program nurtured good team sprit among employees in the workplace. Half responded that this program was good for relations between the communities and the companies; and 47 percent felt that the program helped the company improve its corporate image in the community. Also, this campaign has accumulated the know-how and knowledge needed to design and implement corporate community involvement programs on a global basis.

Following are the 10 most important tips for expanding a global program in an efficient and effective manner:

❶ CEO's commitment and support (management buy-in) are vital.

❷ Appoint local office coordinators and build effective networking.

❸ Establish clear goals for the program.

④ Prepare a common slogan, guidelines, manual, promotion tools, and an award.

⑤ Facilitate opportunities to launch volunteering so that employees feel welcome to join the program. For example, utilize on-going company events such as a picnic or field day to add volunteer activities like clean-ups, gardening, or planting.

⑥ Review and identify community needs as a basis for local programs.

⑦ Partner with local non-profit or charity organizations for effective and efficient planning and implementation.

⑧ Activities should be always on a volunteer basis (not compulsory). This is a key to continuity.

⑨ Enhance exposure of ALL participants' activities and results via a website, company newsletter, or local media, and share such information (including activity photos) with all group employees via the Internet. (This will help employees feel proud and connected to each other, as well as enhancing the company's image.)

⑩ Try to have fun.

Corporate Citizenship as a Vital Element for Corporate Social Responsibility

If corporate citizenship activity is positioned as a strategic community investment under corporate social responsibility, it has a much greater chance of success, bringing returns to stakeholders and a competitive advantage to the company itself. It is important to measure returns or tangible outcomes to both the company and its stakeholders, and to evaluate the process and cost efficiency of programs. The following overall steps should be considered to make corporate citizenship programs more efficient and effective:

① Review the company's business goals.

② Review important needs and issues in the communities where the company operates and employees live.

③ Review overall resources that the company can provide or utilize.

④ Identify a target area and create a ground design.

⑤ Identify partners including non-profits.

6 Develop programs with partners.

7 Implement programs.

8 Monitor, review, and evaluate programs, including outcomes.

Conclusion

Under the policies and charters listed in the NEC Corporate Credo established in 1990 (see box 6.1) and through the Social Contributions office established the following year, NEC's corporate divisions and subsidiaries consider the local communities they are located in to be important stakeholders, not only as consumers, but in shared corporate philosophy. NEC seeks to recognize commercial success as a responsibility of any business, while honoring ethical values that respect people, communities, and the natural environment.

Sustainable Management and Community Development in the Ricoh Group

By Susumu Nakamaru

Ricoh gives priority to promoting the kind of environmental conservation policies that lead to a sustainable society and, in recent years, the company has embraced a wider concept of corporate social responsibility (CSR), including social contribution activities.

Ricoh was founded in 1936 and is now a leading global manufacturer of office automation equipment. Ricoh's product line includes copiers, multifunctional and other printers, fax machines, personal computers, optical disc drives and media, and related supplies and services, as well as digital cameras and advanced electronic devices. As of March 31, 2004, the Ricoh Group has 360 subsidiaries and 21 affiliates (131 companies in Japan and 251 overseas), together employing about 73,200 people.

Consolidated net sales in fiscal 2004 came to 1,780.2 billion ($17.118 billion), up 2.4 percent from the previous fiscal year, the tenth consecutive year an increase was achieved. Net income rose 26.6 percent, to 91.7 billion ($882 million)—its twelfth consecutive increase and consecutive record high.

Corporate and Management Philosophy

Its founder, Kiyoshi Ichimura, established the Ricoh Group's corporate philosophy. (See Box 7.1).

Ricoh's management philosophy was formally introduced in 1986, based on the Company's corporate philosophy, in order to establish and nurture the corporate culture and system in times of increasing change, information-oriented societies, diverse values and more intense competition.

The Ricoh Group CSR Charter

As the Ricoh Group's influence as a global citizen and a member of society increases, so too do its social responsibilities. As a result of the enhanced globalization and group management of its corporate activities,

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BOX 7.1

Ricoh Group Corporate and Management Philosophy

Corporate Philosophy:
Love your neighbor; Love your country; Love your work.

Management Philosophy:
Our Purpose: To constantly create new value for the world at the interface of people and information.

Our Goal:
To be a good global citizen with reliability and appeal.

Our Principles:
To think as an entrepreneur; To put ourselves in the other person's place; To find personal value in our work.

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the Ricoh Group now covers many countries around the world and is made up of people with differing values. The Ricoh Group CSR Charter, which enshrines the Group's corporate activity principles, was established on January 1, 2004 in response to the need for common values and activity principles that can be shared globally across the Group.

To grow as a respected enterprise, the Ricoh Group must exercise its corporate social responsibility (CSR) from a consistent global perspective in every facet of its operations. To ensure this, the following principles are to be observed, with the proper social awareness and understanding, and in compliance with both the letter and the spirit of various national laws, and the rules of international conduct:

○ Every company in the Ricoh Group is charged with developing and providing useful products and services with high quality, safety, reliability and ease of use, while maintaining the security of corporate information and giving proper consideration to the environment. The Ricoh Group is further charged with dealing fairly, openly and freely with the administrations, citizens and organizations of the countries in which it operates, and with taking responsibility for managing and safeguarding its own information and that of its customers.

○ The Ricoh Group voluntarily and actively implements technological innovations that reflect environmental concerns and participates in ongoing activities to preserve the environment.

○ The working environment at all Ricoh Group companies is intended to make it easier for staff to perform their duties, respecting their individual characteristics and encouraging their autonomy and creativity. Forced labor, child labor or the infringement of human rights will not be tolerated.

○ The Ricoh Group actively engages in activities that contribute to society, respecting the cultures and customs, and operating so as to contribute to their development. Every company in the Ricoh Group pledges to engage in the fullest possible communication with society, seeking actively to provide unbiased disclosure of corporate information.

The Ricoh Group Code of Conduct

Ricoh established the Ricoh Group Code of Conduct by revising the Ricoh Business Code of Conduct to reflect more responsible corporate activities, in conjunction with the Ricoh Group CSR Charter:

❶ Providing customer-centered products

❷ Free competition and fair trade

❸ Banning insider trading

❹ Managing corporate secrets

❺ Limits on entertainment and gifts

❻ Doing business with public bodies and making political contributions

❼ Strict control of exports and imports

❽ Protection and use of intellectual properties

❾ Participation in anti-social actions

❿ Individual actions against the interests of the company

⓫ Protection of corporate assets

⓬ Respecting the global environment

⓭ Respect for human rights

⓮ Practical contributions to society

⓯ Harmonizing with society

Ricoh General Principles on the Environment

The Ricoh General Principles on the Environment were established in 1992 and revised in 1998. Ricoh regards environmental conservation as an important element in all its business activities. It complies with all domestic and overseas environmental regulations and also sets its own targets to reduce stress on the environment in consideration of social expectations. In the development, design, and operation of factory facilities, it always considers harmonization with the environment, and strives to prevent pollution, utilize energy and resources effectively, and conduct reduction and responsible disposal of waste.

At every stage, from planning, development, design, procurement and production to sales, logistics, use, recycle, and disposal, it offers products and services that have less environmental impact and give consideration to safety. Through environmental education, Ricoh strives to enhance the environmental awareness of all employees. In every country and region where they conduct business, they maintain close ties with the local communities and contribute to society by positively releasing information on activities and assisting environmental conservation activities.

Sustainable Management at Ricoh: The "Comet Circle"

Ricoh uses an original scheme called the Comet Circle as the basic concept for an ideal sustainable society in which the total environmental impact derived from all economic and social activities does not exceed the potential power of nature to recover, maximizing output with minimum resources. To help bring about such a society, a company must not only make efforts to promote environmental conservation, but also encourage its suppliers, customers and recycling operators to make the resource-recirculation of the Comet Circle (Diagram 7.1, following page) smaller at every stage by improving economic efficiency and reducing environmental impact.

There are three levels at which business can engage in environmental conservation. The first is the "passive level," at which a company tries to passively meet legal requirements and customer needs. The second is the "proactive level" or "volunteer level" at which a company tries to curb environmental impact as much as possible. The third is the "responsible level" or "value creation level" at which a company tries to pursue both environmental conservation and corporate profits, with equal emphasis on both. Ricoh is always striving to attain the third level in its various plans and projects.

More specifically, the Ricoh Group's environmental conservation activities are centered in three areas: First is Resource Conservation and

Diagram 7.1: Concept for Realizing a Society that Recirculates Resources: The Comet Circle™

- Materials recovery center
- Materials recovery center
- Materials manufacturer
- Parts manufacturer
- Product manufacturer
- Sales company
- User
- Maintenance company
- Collection center
- Product recovery center
- Parts recovery center
- Materials recovery center
- Materials recovery center
- Recycling center
- Shredder company
- Materials recovery center
- Materials recovery center
- Materials recovery center
- Landfill

Generation of raw materials
- Chemical recycling
- Metals recycling

Metals

Energy recovery (Energy, CO2)

Disassembly oil

Shredder dust

Crushing of products

Open loop materials recycling

Closed loop materials recycling

Reuse of parts

Reuse of products

Sorting and disassembly

Long use

© 1994 Ricoh

Source: Ricoh website at: <http://search-asp.fresheye.com?kw=The+Comet+Circle&ord=s&id=10857>

Recycling, involving activities such as a Zero-Waste-to-Landfill promotion, the development of recyclable products, construction of a recycling network, and production using recycled parts and materials; Second is Energy Conservation, which contributes to preventing global warming through efficient power consumption, development of new energy systems, and development and manufacturing of energy-saving products. Third is Pollution Prevention, centering on the reduction of emissions, waste, the use of environmentally sensitive substances, and strict control of chemicals used in products and production processes.

In the Resource Conservation and Recycling area, the Ricoh Group has been developing its networks of collection and recycling centers for used products. The Group has already attained its goal: a 95 percent resource recovery rate for its main products—copiers, facsimiles, laser printers and toner cartridges—manufactured in Japan, Europe, the Americas, China and Taiwan, and the Asia-Pacific region. Moreover, all production sites globally achieved a 100 percent resource recovery rate—the, Zero-Waste-to-Landfill goal.

In the Energy Conservation area, Ricoh achieved a 13.8 percent reduction in total carbon-dioxide emissions from the 1990 level. All of the Ricoh Group's production sites in Japan achieved an 8.1 percent reduction in carbon-dioxide emissions, representing an aggregate 12.6 percent reduction in the carbon-dioxide emissions in the Groups' operations in Japan. This well exceeds the Japanese government's commitment to the Kyoto Protocol.

In the Pollution Prevention area, by 2003 the Ricoh Group had significantly reduced the volume of lead, polyvinyl chloride and hexavalent chromium contained in its products, in comparison with those marketed in 1997. The Group has completely eliminated the use of trichloroethylene, tetrachloroethylene and chloroform in all its operations worldwide.

Environmental Communication

The Group sees all its stakeholders as "green partners." These include customers, suppliers, employees, shareholders/investors, local communities, national and local administrations, environmental experts, staff of other companies involved in the issue and environmental NGOs.

The Environmental Report, published annually since 1998, is the major medium through which Ricoh communicates with its green partners. In 2001, the report "evolved" to become the Social Environmental Report, and in 2002 it was renamed the Sustainability Report. The evolution reflected the Group's shifts from environmental preservation to environmen-

tal management and toward sustainability management, which involves wider concepts of social responsibility and social contribution. Starting this year, Ricoh issues three kinds of Sustainability Reports—covering the environment, the economy and corporate social responsibility—based on the idea of the Triple Bottom Line for sustainable social development.

Ricoh's ecology homepage is another medium of green communication. It has won several awards, including the Eco-Web Grand Prize (2001) and the Eco-Goo Grand Prix (2003) for the "ECO TODAY" feature of Ricoh's Kids Web site. There were more than a million hits to the homepage in fiscal 2003.

Advertisements and product sales communications also include environmental content. The Group has promoted a "green purchase" campaign worldwide, which encourages consumers to purchase environmentally-conscious products. Other forms of communications include participation in lectures, academic meetings and symposiums, as well as presentations of Ricoh's environmental activities.

Ricoh has formed partnerships with NPO/NGOs engaged in environmental conservation, several of which are supported by Ricoh's financial reserve system. Since 1998, Ricoh sets aside an amount equal to one percent of its annual profit, up to a maximum of 200 million yen, for environmental projects, mainly forest ecosystem conservation. These include Conservation International's project in the Philippines and the World Wildlife Funds's (WWF) project in Malaysia, aiming at restoring the natural forest habitat for species like orangutans. Other projects include the conservation of virgin mangrove forests in Brunei and awareness-raising activities targeting school children and nurturing volunteer leaders.

Participating in the Global Compact

In 1999, Ricoh participated in the International Environment Forum (IEF) organized by the World Environment Center, with a view of promoting sustainability management in the Ricoh Group. At that time, the IEF had just begun discussions aimed at formulating a set of guidelines for International Corporate Social Responsibility (ICSR). In May 2001, Ricoh became involved in this forum, in which members studied Global Reporting Initiative (GRI) Guidelines, the OECD Guidelines, the Sullivan Principles, and Social Accountability International's SA8000 system, to develop a new set of guidelines for corporate social responsibility. The Global Compact was one of the major subjects of the study group. On April 8, 2002, president Sakurai sent a letter to the UN Secretary-General, Kofi Annan, notifying him of Ricoh's decision to participate in the Global

Compact. Ricoh became the second Japanese corporation, following Kikkoman, to declare its support.

When Ricoh announced it was to participate in the Global Compact, president Sakurai said that he would commit himself to establishing policies for corporate social responsibility (CSR) issues as well as Global Compact-related issues. The CSR study group was set up in April 2002 under the auspices of the Corporate Environment Division. A CSR Office was established in January 2003, responsible for managing CSR matters in the Ricoh Group. The post of Chief CSR Officer was also established at that time.

Since Ricoh was already committed to a wide range of activities in the fields of environment, human rights and labor, its Global Compact participation has not substantially affected its policies and programs. However, participation has helped the company raise employee awareness of—and interest in—the CSR concept and related initiatives. Inquiries have also increased from outside stakeholders such as corporations (seeking more information on CSR activities for benchmarking), members of the academic world, governments, industrial and economic organizations, journalists, and private individuals.

Ricoh's "Social Contribution Reserve" is used for activities that provide continuous global support for social issues, particularly global environment conservation and youth education. Following are some examples of the Ricoh Group's global activities for social contributions:

Ricoh Corporation and WWF Sign an Agreement to Advance Forest Conservation in Mexico (February 2004)

Under this partnership, established in February 2004, Ricoh Corporation (a US affiliate company of Ricoh) committed its support to the WWF's Mexican Sierra Tarahumara Forest Ecosystem Conservation Project. The overall goal of the project is to improve the ecological integrity of the forested ecosystems of the Sierra Tarahumara and the forest-based livelihoods of local people, by expanding and augmenting community forest management. To do that, the WWF is working with selected communities in the Sierra to protect sacred sites, develop their capacity to administer and manage the sustainability of their forest resources, and improve forest conditions to ensure continued water production.

The Sierra Tarahumara, a mountainous area of pine-oak forests located in the Sierra Madre Occidental in the state of Chihuahua, Mexico, is the source of the most ecologically and culturally important rivers in northern Mexico. One of the main economic activities of the Sierra is timber production, but the forests have not been managed well and local

people have not benefited. The Sierra Tarahumara is in one of the WWF's priority areas for "eco-regional conservation."

Ricoh Poland Promotes Environmental Education

Ricoh Poland used an art contest for children within the framework of the Environmental Management System to promote environmental education. The theme of this activity was "Our Earth, Our Tomorrow," a corporate slogan used by Ricoh Poland to increase environmental consciousness among children and youth. Almost five thousand primary and grammar schools from throughout Poland were invited to participate in the contest. The amazing response generated almost three thousand posters from nearly five hundred schools. The best 124 posters were exhibited by Ricoh Poland at the Earth Museum in Warsaw during the month of April.

REI Employees Volunteer With Clean-up and Reforestation of Santiago Creek, California, U.S.A. (2002–03)

Numerous employee volunteers and family members from Ricoh Electronics, Inc. in California, helped support the Santiago Creek Master Plan through a project to restore the Santiago Creek in Hart Park. Volunteers planted native trees and shrubs and cleared non-native plants and undergrowth. This effort was part of a continuing collaborative community service program by Ricoh with Trails4All, a non-profit local trail-cleanup organization, and the City of Orange. In an earlier phase of the project, in September 2002, nearly 270 Ricoh and student volunteers cleared over six thousand pounds of trash, litter and other refuse from the Santiago Creek.

Ibaraki Ricoh Makes a Donation to the Social Welfare Association (February 2003)

On January 23, Ibaragi Ricoh donated 16 sets of tools "to experience actions of aged people" to the Social Welfare Association in Ibaragi Prefecture, Japan. Hideaki Misawa, general manager of the company, visited Mito city and delivered a list of items to Tsuguo Muraida, director of the association.

Between August 2001 and July 2002, Ibaragi Ricoh collected 380,000 empty aluminum cans worth JPY310,000 in its third volunteer campaign, and used the money to purchase sets of equipment (including goggles that narrow vision and weights that can be attached to hands or feet) designed for users to experience the sensations of the elderly. These can be used for hands-on learning sessions with elementary and junior high school students, as well as older people.

Ricoh Donates Braille signs to Numazu City, Shizuoka Prefecture, Japan (February 2003)

Employees of the Ricoh Numazu Plant visited the Numazu city hall to give the mayor a list of Braille signs to be installed in a new social welfare building. The Numazu Plant bought the signs with money from its fifth campaign to collect aluminum cans. The plant has also donated wheelchairs to Numazu City every year since 1998 and has been actively promoting social contribution activities that include opening its gym to the public, cleaning the adjacent rivers and roads, visiting welfare institutions, helping with young people's athletic training, and collecting old stamps. Every Monday is collection day in the campaign. Employees bring empty cans from their homes or collect them during community activities to clean up the environment. In addition to its own efforts, the plant has expanded the campaign among suppliers and local residents, and more than 200,000 cans are collected every year.

Lanier Worldwide and Junior Achievement Partner Teach Kids at Cary Reynolds School, Georgia, U.S.A. (October 2002)

Over 55 Lanier Worldwide, Inc. employees spent their week volunteering at Cary Reynolds Elementary School, teaching Junior Achievement economic education lessons and sharing their own business experiences with seven hundred children from kindergarten through 5th grade at Cary Reynolds Elementary School in DeKalb County.

> *"Our employees really bond with the children, and teaching at the beginning of the year gives them a chance to work with the class periodically throughout the rest of the year, if they choose to," said Vice President of Human Resources, Vera Arthur.*

Lanier Joins the "Walk to Cure Diabetes" in Atlanta, Georgia, U.S.A.

The Georgia Chapter of the Juvenile Diabetes Research Foundation (JDRF) holds an annual "Walk to Cure Diabetes." Lanier Worldwide, Inc. has pledged its support as a Gold Sponsor for the event. On last year's walk, over sixty Lanier employees completed the 3.1-mile course through the Concourse Office Park in Atlanta. Pamela Nestor, special events manager for JDRF, said, "In a typical year, 85 percent of our expenses support research and education about research. Over the past eight years, Lanier has been supporting JDRF and helping us keep our operational costs at a minimum."

Conclusion

In conclusion, Ricoh's Corporate Social Responsibility Division, established in 2003, and its CSR charter in 2004, are the results of a recent wider concept of CSR at the company and of its efforts to promote corporation-community partnerships. This paper illustrates that Ricoh's CSR priority remains focused on environmental conservation policies. However, a more broadly defined CSR effort is reflected in Ricoh's "environmental communication" activities, which are really educational endeavors emanating from within the company and reaching down to local-level communities, civil society organizations and individuals. Education, long an established value in Asian communities, is a "vintage concept" familiar to Asian entrepreneurs and the communities they serve. Local and global activities have also had the dual purpose of educating those inside and outside the company while contributing either donations or employee participation. Ricoh's example demonstrates the resolve of the Asian business community to implement CSR policies both globally and at the level of local communities and firms.

CSR: Examples of Relevant Practices of Japanese SMEs

By Mariko Kawaguchi

Interest in CSR grew in Japan in the summer of 2000, when more than ten thousand people became sick after drinking low-fat milk made by Snow Brand Milk Products Co. This food poisoning case became an extremely serious social issue when an investigation of the poisoned milk scandal revealed extremely sloppy quality control that led to the spread of germs in a milk tank after insufficient cleaning of a contaminated valve. This had a tremendous impact on Japanese society because Show Brand Milk Product was considered a well-established blue-chip company.

Other scandals followed. Tokyo Electric Power Co. falsified reports on the results of nuclear power plant inspections; Nippon Meat Packers Inc. and a subsidiary of Snow Brand Milk Products mislabeled their meat products; and Nippon Television Network Corp. manipulated the findings of a rating survey, all violating the country's laws and regulations. A series of explosions and fires also occurred at factories. All these scandals and accidents combined to rapidly raise awareness of CSR in Japan, calling into question the social responsibility of companies that cause scandals and engage in corporate malfeasance. There were calls for the establishment of corporate ethics and compliance requirements.

Meanwhile, in the late 1990s, Japanese companies found themselves under pressure to answer large numbers of questionnaires, from overseas Socially Responsible Investment organizations (SRIs), on how they were dealing with environmental and human rights issues. Although since the mid-1990s many Japanese companies had been taking the most progressive approaches by world standards in tackling environmental issues, seldom did it occur to them to deal with non-environmental issues, employee satisfaction, and human rights as CSR issues. But the number of Japanese companies aware of CSR has been growing fast as more information arrives from the United States and Europe on progress in addressing CSR issues, on Global Reporting Initiative (GRI)

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guidelines, the UN Global Compact, Enron and other corporate scandals, and corporate governance reforms.

The year 2003 is often considered the start of CSR in Japan. That year, Ricoh Co., Sony Corp., and other Japanese companies started creating departments in charge of CSR issues. The establishment of CSR departments has become so common that in 2004 it hardly makes any headlines.

The number of Japanese companies that have started releasing CSR and sustainability reports has jumped among the thousand or so corporations that have been compiling environmental reports. Today, more than 70 Japanese companies are using GRI guidelines to draw up CSR reports and the number is expected to grow in the future (see **www.globalreporting.org**).

Japanese companies generally first set up a CSR department, then decide on a CSR charter, determine a CSR policy and other CSR-related plans and, finally, put a CSR report together. At companies that have already made progress with environmental problems, the department in charge of environmental issues usually forms the core of a CSR department, usually gathering its staff from CSR-related departments like management planning, public relations, investor relations, general affairs, personnel, and customer services. Also on the list of important themes are corporate compliance and ethics, employee satisfaction, customer satisfaction, and human rights concerns regarding supply chains.

It is often difficult for small and medium-size businesses to pursue the kind of comprehensive approach to CSR often taken by big, resource-rich companies. However, addressing CSR issues does not mean simply creating a CSR department. Top corporate management must embrace the spirit of CSR and understand why it is necessary to tackle CSR issues.

What is CSR in the true sense of the word? There are two aspects: First, anything but the core business activity can be a candidate for CSR. Issues that various stakeholders raise as important ones for the company to tackle are CSR concerns. Secondly, CSR is , in fact, the very mission of the company and the spirit of CSR is to incorporate the mission of the company into everyday activities.

It is possible for any company, regardless of its size, to incorporate CSR into its corporate activities. Because of their size, small and medium-size businesses enjoy the advantage of being able to get top management's sense of corporate mission and vision across to their employees. Here we present two cases of companies that are taking unique approaches to CSR. Neither follows a clear CSR management model, but both are successfully implementing their corporate mission in their everyday business.

CASE 1. Catalog House

Catalog House is a medium-size company established in 1976, whose major business is mail-order sales and publishing. Net sales for 2003 were ¥33.9 billion ($308 million). Including part-time workers, the company has 360 employees. Its mission statement states:

At a time of mass consumption and uncontrolled exploitation of limited natural resources, our mission as a retailer is to reach for a way to make personal consumption consistent with sustainable environment. Our mission for our customers, therefore, is to identify "green" products in the market place.

The company has also set the following survival strategy for the 21st century:

○ Maintain the highest product credibility in the industry;

○ Promote the highest product environmental protection schemes in the industry;

○ Be the best corporate citizen in the industry;

○ Offer the most pleasant shopping experience in the industry;

○ Offer the friendliest service in the industry.

No mere mantras for chanting, these objectives are actually incorporated in Catalog House's corporate activities. The company publishes the quarterly catalog magazine *"Tsuhan-Seikatsu"* or "Mail-order Life" (circulation 1.3 million) and the annual *"Pika-ichi Jiten,"* or "Top Product Encyclopedia" (circulation 1.7 million). Usually, mail-order companies distribute catalogs free of charge, but Catalog House sells its publications at bookstores and newsstands. This is because they not only introduce new products but also carry feature articles on social issues. Catalog House's lines of products are considerably different from those of other mail-order companies, with only one kind of product in each category. The company's marketing philosophy is that it should choose the best products with the strict selection standards of a professional retailer and then present those products to consumers.

The catalog contains articles introducing products and explaining in detail why it has chosen certain products, based on five criteria: performance, durability, environmental friendliness, recycling potential, and price. Each criterion is assessed at three levels: whether the product is "no different from competing goods," "superior,"or "strikingly superior." Listed in the latest *"Pika-ichi Jiten,"* for 2005, for example, are Buddhist altars for modern homes, noise-free headphones, liquid crystal TVs and

water purifiers. In particular, Catalog House's strict rules for product selection in the area of environmental friendliness are far superior to those of other companies. (See Box 8.1).

Catalog House has been carrying out strict product selections under this constitution and the company discloses environmental data for all products it markets. For metal products, for instance, it specifies what kinds of materials are used in the products themselves, in their wrapping materials, and in the owner's manuals. For leather goods, the company explains what kind of leather is used, which country it is from, and whether

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BOX 8.1

The Constitution of Catalog House Environmental Policy

Article 1: We shall do our best to sell products that will not harm the soil, plant life, and animals: i.e., avoid products containing vinyl chloride and bromide flame retardant (dioxin), polycarbonate, epoxy resins, polystyrene (endocrine disrupters), detergents with oil-affiliate synthesis interface agents (river pollution), timber from Malaysia, the Philippines, Indonesia, Singapore, Brunei, Papua New Guinea, Solomon Islands (rain forests); Freon, foodstuffs containing synthetic preservatives, genetically modified (GM) products (food safety), etc.

Article 2: We shall do our best to sell products designed to last long and those which can be fixed instead of being thrown away.

Article 3: We shall do our best to extend the life of our products as long as possible by finding second users for them after the original users have no further use for them.

Article 4: We shall do our best to recycle products that are no longer useful—43 products are recyclable (March 2003). Catalog House's own publications are made of 100 percent recycled paper.

Article 5: We shall do our utmost to limit our own production of waste and CO2.

Article 6: We shall not sell nuclear weapons, smart bombs, fighter aircraft, aircraft carriers, artillery or armaments of any kind (even if they are re-usable).

that country has animal protection regulations. For electronic goods, an estimate is given of potential CO emissions.

Durable goods come with three-year warranties and, for products whose warranties have expired, the company's "Save the Product" Department will repair them for a fee. Its used-product shops will buy products for resale if they are no longer useful. Catalog House will even collect and recycle certain products after they have outlived their usefulness. The company has been gaining customer support by implementing product selections that reflect the letter and spirit of its constitution and by building a marketing strategy and a support system. Since the company's shares are not traded, it does not disclose financial data, but its pretax profit ratio has constantly remained above 10 percent. Eco-friendliness can be profitable and is strongly supported by green consumers in Japan.

CASE 2: Sato Corporation

Established in 1951, Sato Corporation manufactures electronic bar code printers, hand labelers, scanners, labels, tags, tickets, ribbons, and consumables. Its consolidated sales for FY03 were ¥58.8 billion ($535 million) and it is listed in the First Section of the Tokyo Stock Exchange. Sato has production sites in Japan, Malaysia, Singapore, Germany, and the UK. It has sales offices in Singapore, the USA, Germany, Thailand, and Malaysia, with 2,349 employees worldwide.

Like Catalog House, Sato has a unique company philosophy and culture. Its corporate mission and philosophy are as follows:

○ **Mission:** To concentrate on our main business areas… to work for the prosperity of mankind and improvement of our lifestyle and culture, and to do everything in our power to contribute to the advancement of global society.

○ **Philosophy:** We are to be thoroughly professional… to be aware of Sato's corporate responsibilities and to cooperate with each other, sharing the spirit of our mission as we engage in our business.

Sato applies three basic policies to everyday business activities and business decisions:

○ Be clear about what Sato is and what it should do as a company: Sato should concentrate on data collection systems and labeling. Sato will not handle any business which has nothing to do with these, no matter how profitable it is.

○ Sell only those products with value added by Sato's staff. This means that Sato will not sell products made by other companies.

○ Contribute to society by being precise and exact, and through its resources and labor-saving technologies and products.

Sato has also established clear rules for dividing profits equally among society, the company and its shareholders, and employees. Sharing profits with society represents Sato's social contribution and, among other things, takes the form of donations through its foundation. The company's own share of profits is used for future investments. The shareholders receive their share in the form of dividends and the employees in the form of family benefits. Sato has also created a unique system, a "three-line Original Ideas, Inventions and Proposals (OIP) report," in order to incorporate these rules into daily corporate activities. Every Sato staff member must submit a daily three-line report on original ideas, inventions, and proposals. Submission of all OIP reports is a condition for promotion. Mr. Sato, the former company chairman, explained the idea behind the system as follows:

> *No company is managed by executives alone. Good corporate management becomes possible only when all employees join together and pool their efforts. Even if executives try to improve their company, they are bound to fail unless all the staff in marketing, production, development, management, and other areas dedicate themselves wholeheartedly to the attempt to make the company better and acquire the habit of acting accordingly every day. If all people seriously consider how to improve their company every day and pursue their goals, there is no doubt that their combined efforts will become a boundless power, leading to the development of the company and improvement in the life of its employees. The OIP Report is a means to achieve this goal.* (From CEO's message to employees)

All OIP reports are open to all staff, which helps form a very transparent corporate culture and keeps the corporate mission and philosophy alive in everyday business activities. Sato has been reporting robust earnings. In FY03, sales came to ¥58.862 billion and pretax profits to ¥5.506 billion, with a net profit margin of 9.3 percent.

Having presented two cases in which corporate missions and philosophies are incorporated directly into business activities as CSR, we will end by introducing Japan's first unique CSR model.

Case 3: Shiga CSR Model

The Shiga CSR model is based on the Oumi Shounin (merchant) business philosophy. The Oumi District, called Shiga today, is located adjacent to Kyoto and Biwa Lake. The merchants of Oumi were famous for their good business sense, as well as for their high ethical behavior in the 17th-19th centuries. The Oumi merchant philosophy is the "*Sanpo-yoshi*" (triple-win) concept, which means doing the kind of business that is good for sellers, buyers, and society. Based on this philosophy, the Shiga Committee for Economic Development, which comprises over 300 business leaders in Shiga, developed the Shiga Model. This model is deeply rooted in the idea that CSR in Japan today is based on the framework built in the United States and Europe and that, though admirable, its approaches to specific corporate activities are not necessarily appropriate to Japan, which should have its own CSR model.

Following are six aspects of the Shiga CSR Model:

1. Corporate culture, vision, and philosophy of management: it requires effort to build a management style that keeps business profit and social profit in harmony.

2. The sharing of ethical values within the company: ethical values must be shared equally by top management and by every employee.

3. Respecting employees: it is essential to maintain good relations among employees, stimulate internal communication, and provide good working conditions.

4. Creating and maintaining the relationship of trust among clients and suppliers: this means that a company must respect good relations among clients, suppliers and other stakeholders, and must maintain smooth communication and welcome feedback from stakeholders.

5. Supporting the local community for its sustainable development: this means that a company must be a good corporate citizen within the local community.

6. Commitment to environmental protection and effective use of nature as a corporate asset: this means that a company should incorporate environmental concerns into its business activities, and play an active role in environmental protection and clean-up.

The Shiga Model offers a CSR checklist for companies. Each of the six items carries 8 to 12 questions and is weighted. Managers can get a total score by evaluating responses to the questions at four levels. They can

pinpoint the strengths and weaknesses of their company from the results and can start specific CSR actions accordingly. The Shiga chapter of the Japanese Association of Corporate Executives has been calling on companies in the prefecture to use the Shiga CSR Model in the belief that it will lead to high-quality management and competitiveness.

This model sends a positive message not only to companies in Shiga Prefecture, but throughout the country. The introduction of a CSR model based on Japan's own traditions will help many companies to realize that CSR is not a concept imported from the United States and Europe, but one that has existed in Japan's world of business from ancient times. The S in CSR stands for "social." CSR that fails to value the society in which it is applied cannot gain support from that society. Despite economic globalization, we hope that CSR rooted deeply in specific cultures, like the Shiga model, will develop spontaneously in many parts of the world.

PART II:

The Latin American Experience

Corporate Social Responsibility in Latin America: An Overview of Its Characteristics and Effects on Local Communities

By Roberto Gutiérrez and Audra Jones

Latin America is a region where inequality has created enormous gaps between social groups. Joint endeavors between the haves and the have-nots are a constant challenge. Links between them have always existed: exploitative relations, paternalism, charity, and solidarity. Exclusion and distance between groups have created distrust. It is not surprising that socially responsible activities, aimed at improving life conditions in a surrounding community, are not common corporate practices in Latin America. It is important to explore why business and community decide to work side by side, and the effects of such efforts. Great opportunities lie ahead.

This chapter provides an overview of the development of corporate social responsibility (CSR) practices in Latin America to understand the impact these practices have had on communities. We will review the research and practice of CSR in Latin America, then highlight successful and unsuccessful community development experiences resulting from CSR activities. The focus is on communities composed of low-income populations and the lessons learned from their experiences. The final sections describe current CSR trends in Latin America and the research that needs to be done.

An Overview of CSR in Latin America

Ethical questions exist about doing philanthropy at someone else's expense and Friedman's (1962) arguments resurface in one way or another. While managers are entrusted with the care of assets belonging to the firm's shareholders, "[s]upporting good causes out of their own generous salaries, bonuses, deferred compensation, options packages and incentive schemes would be admirable; doing it out of income that would otherwise be paid to shareholders is a more dubious proposition" (The Economist, 2004). Other questions can be asked about why managers

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should decide social-policy priorities when in a democracy this is a job for voters and elected politicians.

In Latin America, where a very skewed distribution of income and opportunities exist, these questions are not at the forefront of the debate. The interest of communities, and not shareholders, can be continually argued. Thus a move towards a "compassionate capitalism" comes as no surprise.

Multilateral agencies have been turning to the private sector to further the development agenda. States have lost part of their preeminent role in pushing the carts of development and, to face diverse social problems, all sectors of society are asked to contribute their share. On one hand, a vibrant third sector is evolving in many societies; while on the other, expectations have risen regarding what private companies can do as corporate citizens. Multilateral agencies are providing different kinds of support to the private sector so that it can fulfill these expectations.

In the meantime, distance and distrust make it difficult for businesses to assess community needs develop plans to address these needs, and learn from the processes. Attitudes of community leaders differ significantly from those of corporate leaders, not only in Latin America but also in other regions of the world (for an example of these differences in Israel, see A. Boehm, 2002). Since "attitudes toward supporting collaborative dimensions are influenced by the expected profitability of the collaboration," community leaders are more supportive of CSR because "the expected costs to the community are lower and their interests are more evident" (Boehm, 2002, pp. 188-189). Sometimes a humble and direct approach gets community and corporate leaders to work together; other times an intermediary brings together a business and its surrounding communities.

There are several frameworks available to help understand why business decides to work to improve life conditions in a community. Carroll (1999) describes the evolution of the CSR construct since the 1950s and alternative frameworks such as corporate social performance, stakeholder theory and business ethics theory. Considerable attention has been given to the reasons behind business engagement and to classifying the different approaches. The following three sections summarize the findings of this literature.

Motivations Behind CSR

The motivations and benefits of CSR practices are the topics of a sizable part of the literature. However, what drives a corporation to engage in socially responsible activities and what benefits are expected are two different questions.

The Argentine and the Peruvian economic crises, and the Brazilian and the Colombian social crises, have elicited responses from the private sector. Many more business people have come to understand that "there is no healthy business in a sick society." They have joined philanthropic traditions that in the past were rooted in religious beliefs and today respond to civic obligations. For example, Thompson and Landim (1997) describe practices introduced by Spanish and Portuguese colonial authorities in close coordination with the Catholic Church that were focused on giving and volunteering. A special issue of *Revista: Harvard Review of Latin America* (2002) traced such practices into modern times and described it as the evolution "from charity to solidarity."

One of the efforts to understand these motivations has been carried out by the Social Enterprise Knowledge Network research team, which studied 24 cases of collaborative endeavors between businesses and civil society organizations (Austin, Reficco et al. 2004). According to their findings, a wide range of motivations drives corporate engagement in the social sector, from altruistic to utilitarian ones, from benefiting others to benefiting one's own interests.[1]

Altruism and solidarity have been significant drivers in the Latin American private sector, resulting in large part from the tradition of charity derived from the region's Catholic background. Many business leaders, particularly in family-owned firms, describe their civil commitment as "doing the right thing" from an ethical standpoint. Leaders like Manuel Ariztía in Chile and Alberto Espinosa in Colombia have led their businesses and colleagues to collaborate in solving public education problems (Koljatic and Avila 2003; Trujillo and Gutiérrez 2003). Their contributions were not linked to any potential advantage for their businesses.

Two kinds of utilitarian motives were discovered in other cases in the Social Enterprise Knowledge Network (SEKN) sample: managing risks and looking for competitive advantages. First, corporate engagement with the social sector can be used to minimize the occurrence of an identified risk or to prepare to face it. A firm whose operations might face community opposition will want to work with the community to prevent negative reactions and strikes from happening. Ausol, a multinational corporation that constructs and manages highways in Argentina, works with communities along the transportation rights of way (Roitter and Berger

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[1] As in their research, "we are not using the term Utilitarianism as it is sometimes used in moral philosophy as referring to a decision rule for resolving ethical dilemmas by weighing the relative costs and benefits from a moral perspective, but rather we are using it to focus on the practical costs and benefits to the individual partners as they consider their self-interest" (Austin, Reficco et al. 2004, p. 46).

2003). Since highways have many disrupting features, community goodwill became an "operating license" for Ausol. A second kind of utilitarian motive is the search for competitive advantages. The improvement in a firm's image or market share can be what drives its social commitments. According to Jaime Sinay, general manager of Farmacias Ahumada in 1997, "the company intended to establish a closer relationship with the community" because of customers' negative attitude towards drugstores, especially in countries like Chile, where medical expenses are not reimbursed (Koljatic and Silva 2003). Competitiveness might demand more than a closer relationship: Posada Amazonas, an eco-tourism project in the Peruvian Amazon basin, invited an indigenous community to work and eventually become owners. Their participation makes it a unique experience for travelers (Pérez 2003).

While a strategic conception of philanthropy is more of a driving force for hired managers, altruistic motives predominate when owners are managers (Austin, Reficco et al. 2004). However, in practice, the most sustainable ventures occur when utilitarian and altruistic drives are strong *and* blended. Altruistic motivations alone might not withstand economic downturns; utilitarian drives alone might distance social partners.

A second approach to motivations behind CSR is Martin's virtue matrix. The virtue matrix is a tool for understanding what generates socially responsible corporate conduct. It is based on a civil foundation (the norms, customs and laws that govern corporate practice) and an innovation frontier (where benefits for shareholders and society can be accrued). Widespread imitation of a successful innovator or government mandate will enhance the civil foundation; abandonment of a socially responsible practice by a critical mass of firms will diminish it.

The virtue matrix is helpful to address questions like what creates public demand for greater corporate responsibility, what the barriers are to increasing responsible corporate behavior, and what forces can add to the supply of corporate responsibility. Martin argues that "the most significant impediment to the growth of corporate virtue is a dearth of vision among business leaders," and that "the most effective weapon against inertia is collective action, either on the part of governments, nongovernmental organizations (NGOs), or corporate leaders themselves" (Martin, 2002, p. 10).

The Role of Legislation

This chapter has suggested two frameworks for understanding the corporate motivations that explain the evolution of CSR practices. One under-researched point is how the evolution of CSR itself is different

in developed and developing countries, and how this affects the trends defining CSR at any given time. One can hypothesize that business responses to legislation or to organized pressure depend heavily on local context. Compare, for example, the evolution of CSR in Latin America and in the United States. In both regions, CSR originated with a few rich industrial families such as the Rockefellers and Packards in the U.S. and the Mendozas and Fortabats in Latin America. However, the axis of CSR activities in each region is distinct and has much to do with the role government played or did not play in creating a framework for enabling and fostering CSR activities.

CSR in the U.S. has grown through regulation and was initially driven by **responsible business operations** rather than by community investment. As a result of the great industrial boom in the mid-20th century, in the late 1960s and early 1970s the U.S. government established the "Big Four" regulatory agencies that shaped much of the baseline for responsible corporate business operations: Occupational Safety and Health Administration; Equal Employment Opportunity Commission; Consumer Product Safety Commission; and the Environmental Protection Agency. These agencies created and continue to maintain standards for socially responsible business practices. In the U.S., government has continued to develop ways to influence responsible business practices. For example, in 1994, the U.S. Department of Commerce's Bureau of Economic Analysis took the first steps toward calculating a "green" gross domestic product, a move that over time could have widespread impact in determining how the government sets tax policy. More recent examples of industry-specific and sector-wide regulations include the Community Reinvestment Act in the banking sector, the Clean Air Act, the Foreign Corrupt Practices Act and (post-Enron) the Public Company Accounting Reform and Investor Protection Act.

In Latin America, regulation of responsible corporate operations is less common, particularly outside of the Mexican and Mercosur markets where U.S. and European foreign direct investment have influenced some requirements. In part, this is a result of weaker formal workers' organizations (such as trade unions) or social groups (such as women and ethnic populations), which greatly determined labor and business practices in the U.S. throughout the 20th century. Without pressure from society, governments are less likely to create standards that imply a cost to corporations that often hold more wealth and power than government itself. Where there are standards in place, like along the U.S.-Mexican border, with environmental regulations created in several countries, the question becomes enforcement. While NAFTA envisioned creating California-

like environmental standards for the border region, the resources on the Mexican side initially were not adequate to manage such enforcement. The other missing factor in promoting a culture of responsible business practices in Latin America is consumer or public consciousness. Without pressure or kudos from consumers, a traditional corporation without idealistic leadership is unlikely to operate responsibly at higher costs that it cannot recover through social marketing (Jones, 2004).

With a limited governmental framework for responsible business practices, and little enforcement, corporations in Latin America interested in creating a common baseline for responsible practices have taken it upon themselves to create standards. For example, the Abrinq Foundation, a non-profit in Brazil, offers a logo (or a special seal) to companies committed to fighting the use of child labor. Corporations are certified through Arbinq's Child Friendly Companies Program once they pass a series of social audits from unions, employees and NGOs. Companies use the logo to market their corporate value to youths (Grayson and Hodges 2002).

In contrast, it is arguable that CSR has evolved more through **community investment** than through business operations in Latin America. With more than 60 percent of the population living on less than one dollar a day, governments in the region are often not meeting the basic needs of their communities. Although corporations in Latin America are not well rewarded through tax breaks, as their US counterparts are, the private sector has stepped in to supplement and, sometimes, replace government to foster social stability, create jobs and ensure an enabling environment that allows businesses to operate effectively. Corporations in Latin America are investing in communities in order to have a stable society where they can produce and sell their products. Community investment directly improves their bottom line as much as it improves life in these communities. Helping others beyond legal requirements is more important where legal frameworks are limited and enforcement is weak.

There are even some cases in Latin America where corporations have influenced government regulation in order to enhance the impact of CSR activities on local communities. In 1990, after a flood devastated the state of Chihuahua in Mexico, the business community approached the state government with a plan to give assistance to those most in need: a special tax of 0.2 percent on earnings to be paid by each of the 29,000 business enterprises in the region with the condition that members of the business community themselves would manage the funds generated. The overwhelming success in providing disaster relief and rebuilding the community prompted the business community to make this "Community Investment" tax permanent under state law. In 1994, the Chihuahuan

Business Foundation was established to administer these funds. Its creation indicated that business leaders had come to two important decisions: First, the flood aid, though successful, was reactive in nature; Chihuahua's social and economic inequalities required a more proactive strategy. Second, corporations recognized that the complex implementation of community development programs lay outside their own core business functions and areas of expertise. A separate entity was needed if these programs were to develop successful methodologies and strategies to make them effective.[2]

Legislation influences the type of CSR practices companies adopt in a particular context. However, governments can go beyond legislation to promote CSR. Public-private partnerships are visible examples of communication because they pool different resources and have practitioners from various social groups.

Typologies for CSR Practices

In an article in which Jones emphasized CSR as a process, he defined it as "the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law and union contract." He considers stakeholders and scope to be two critical facets: "the obligation is a broad one, extending beyond the traditional duty to shareholders, to other societal groups such as customers, employees, suppliers, and neighboring communities"; and "the obligation must be voluntarily adopted" (1980). Carroll identified "four kinds of social responsibilities [that] constitute total CSR: economic, legal, ethical, and philanthropic." (1991). He also described a philosophy of responsiveness based on reactive, defensive, accommodative and proactive categories. Later, Wood (1991) elaborated on the processes of corporate social responsiveness such as environmental assessment, stakeholder management and issues management.

A good portion of the CSR literature is devoted to the classification of responsible practices. Several typologies can be devised when one considers the dimensions of CSR practices. These dimensions are related to basic questions such as:

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[2] A similar scheme was developed in Colombia when some companies in the Department of Antioquia gave some money to their workers with families and the lowest income during the mid-1950s. This example prompted the federal government to enact a 4 percent wage tax in 1957. Regional nonprofit organizations were created to manage these funds and distribute them to the workers with the lowest income. In time, a smaller percentage of the collected funds were distributed and more were dedicated to various social services.

○ What activities are completed to fulfill social expectations?

○ How are these activities carried out?

○ What is the scope of these activities?

○ Who is the target of these activities?

Different forms of intervention can be mapped by examining what activities have been carried out by a company (strategic or not related to the core business) and how these activities have been carried out (by the company itself or in alliance with another organization) (see Gutiérrez 2003). Another possible typology considers that the social responsibility of a business encompasses economic, legal, ethical and philanthropic expectations (Carroll 1999).

The combination of Martin's virtue matrix and stakeholder theory provides yet another way of mapping the different activities companies undertake (see Table 9.1). The horizontal axis accounts for the scope an activity can have within the four quadrants outlined by Martin (2002): the first two within the scope of the social foundation, and the last two extending the innovation frontier. The vertical axis lists the stakeholders that participate in CSR activities, from those directly linked to the business to society in general (Freeman 1984; Epstein 1987; Blair 1995; Carroll 1995; Donaldson and Preston 1995; Jensen 2000).

Table 9.1 includes different examples within a set of possibilities for CSR practices. The first two columns state some of the possible issues by which a company complies with the formal and informal expectations

Table 9.1: A Typology for CSR Practices

Scope Stakeholders	Compliance with law	Observe social norms by choice	Direct integration into business	Social investment
Groups with direct link to business	OSH / EEO Consumer Protection	Fair trade		
Other groups with ties to business	Antitrust regulation	Cluster competitiveness		
Local community	Local content	Local culture		
Society	Environmental protection	Social inclusion		

of a society. In Martin's virtue matrix, these activities lie within the social foundation: the norms, customs and laws that govern corporate practice. The last two columns represent the space companies have to innovate with their social programs. In Latin America, large businesses have realized that their stakeholders go beyond their vendors and customers. As for scope, the tendency is to cluster towards the left of the continuum. Therefore, it is important to understand the characteristics of socially involved businesses because they hold the promise of addressing the region's social injustices. The experiences of some of these organizations will be described below.

CSR Interventions

Communities can be identified as communities of geography, of identity and/or of interest, depending on the importance of locality to the corporation making the investment. Communities of geography are those closest to the corporation or those most affected by the primary function of the business. These communities are interested in the associated benefits of being a company's neighbor: access to education, infrastructure, jobs, less crime, and so on. Communities of identity are those that define themselves through race, heritage, creed or age group. Finally, communities of interest share issues like environmentalism or human rights (Burke and Gilmartin 1999). The communities discussed in this chapter represent a range of interests but all represent low-income populations.

From the moment a company establishes itself in a community, relations are forged. It is to be hoped that they evolve from dependency into interdependency. Sometimes the moment of truth is when the company leaves a community. The ultimate test of the impact of a company's operations is to compare life conditions in a community before its arrival and after its departure. (For some cases of this, see Lozano 2003 and Gutiérrez, Barragán, and Uribe 2004.)

Changing Perspectives on Development

To explore the impact of CSR practices, a starting point is to define a strong and healthy community. Around the middle of the 20th century, giving was the practice of choice, creating donor–recipient relations. During the 1960s, providing poor people with things was criticized: it was said that people needed the ability to procure things for themselves. In the 1990s, these ideas changed even more: knowing how to get things is a limited

ability; the key is to know how to organize. Poverty is no longer regarded as a lack of things, but as the inability to control circumstances. Being poor equates to not being organized. Poverty is not centered on income, but rather is dependent on empowerment.

Based on this concept, underdevelopment means waiting for others to solve one's own problems, while development is the capacity to shape one's future through self-sustaining economic, political and social processes. It took decades for the notion of citizenship to replace paternalistic and dependent relationships. A citizen is someone capable of creating or modifying a social order while working with others. Therefore, according to Flores d'Arcais (1992), democracy is one's possibility to be legitimately self-transformed. A strong and healthy community is one made up of citizens, people who organize themselves to define their own future. Participation, organization and interdependency characterize such communities. These characteristics are what we will look for in cases where companies intervene and change community life.

Types of Interventions

Life changes when a company arrives in a community. Participation and autonomy are key elements in this new relationship. The issues in which community members are invited to participate and the way their participation is elicited and maintained are important aspects in understanding the relationship between business and community. From the corporate standpoint, at least two types of interventions can lead to a strengthened community: companies can concentrate on their business or they can develop social initiatives that support community projects.

A company can pay attention to social issues within its **operations**. In order for a business to develop, all stakeholders are asked to contribute and they expect benefits from their participation. If the focus is solely on providing benefits to shareholders, the needs of other stakeholders may be ignored. Since this affects the sustainability of the whole enterprise, many companies study their environments and consider the needs of their stakeholders.

Another way in which companies contribute to society is by developing **social investments**. Establishing a foundation or supporting community projects are examples of social initiatives that are not directly related to a particular business. A company may be willing to make such investments for several reasons: among others, to satisfy various needs of the communities where it is located, improve its public image, increase its control over the amount of taxes it pays to government, increase worker

morale and attract better employees, and obtain favorable responses from investors and public officials. Social investments concentrate on working with stakeholders who are beyond company boundaries. Although these investments are not directly related to the core of their business, companies benefit from them, while helping alleviate certain social problems.

External CSR programs lie on a continuum with three distinct points: traditional philanthropy, social investment and business integration. Philanthropy is the oldest form of corporate social responsibility, with limited dialogue between donor and recipient. Social investment represents the evolution of traditional philanthropy from a top-down approach to a more responsive one based on needs defined by society. When making a social investment, corporations consider their CSR activities as an investment with a social return. Finally and most recently, corporations are beginning to integrate vulnerable populations directly into their regular business practice. This is defined as business integration in this chapter.

Philanthropy:

While some would argue that philanthropy is outdated and often takes a top-down approach, it can be argued that philanthropy is sometimes appropriate and even necessary. In areas such at the arts, where it is important to preserve the creativity of the beneficiary, philanthropy is a less involved type of giving. For corporations that do not have the capacity to engage in a more involved level of external CSR, this is a reasonable option. Finally, on the receiving end, not all incipient and/or grassroots organizations are ready to "partner" with a corporation. For these organizations philanthropy is a necessary first step in the process.

Social Investment:

The second level of external CSR, social investment, is a phenomenon that appeared mid-way through the 20th century in response to heavy regulation and social lobbying. External CSR became less top-down in many corporations and more participatory, as programs were defined on the basis of needs expressed by the community. Many of these early programs involved social marketing and public awareness campaigns in which corporations would improve their image by discussing social issues relevant at the time.

In the late 1980s and 1990s, the concept of social investment became more widely used in discussing external CSR programs. Social investments funded through the technology boom in particular were analyzed from a business perspective and the program's "social return" was discussed. While one could argue that "social investment" is semantics, the

results have been sustained and attained the commitment of more corporate levels than those involved with the giving of financial resources. The "investment" approach to giving is now becoming widely used in many external CSR initiatives.

A network of corporate foundations, RedEAmérica, promotes two types of social initiatives to transform life conditions in a community: programs to strengthen community-based organizations and programs to develop public interest institutions that support community development. Programs to strengthen community-based organizations include financing and operational strategies; the latter include aid for the creation and development of community-based organizations and of networks for these organizations. Several strategies are used in the programs to develop public interest institutions that support community development: from the creation and financing of non-profit organizations, to the establishment of public-private partnerships, the dissemination of good practices and public debates. Each of RedEAmérica's 38 members has projects in these programs and is working to understand the impact of their interventions (Villar 2003).

Direct Integration:
On the forefront of CSR evolution, particularly in lesser-developed countries, companies are integrating vulnerable populations into their business processes through training relationships, supplier relationships, distribution relationships and even market competitor relationships. These programs are often hotly debated as external CSR initiatives, since they have a direct tie to the companies' business interest. However, in the developing world, the direct integration model is very enticing as many countries rely heavily on foreign direct investment, rather than creating value-added, second-tier industries. Without value-added industry, the poorest echelon of a society will never have true economic opportunity.

Value-added business is often the multiplier to create the necessary enabling environment for economic development. Examples include an educational system capable of training future employees, open financial markets which allow small and medium sized businesses to participate in the supply chain, and a peaceful society which prospers economically and socially by allowing the poor equal representation. Business integration seeks to fill the socio-economic gaps that are a feature in countries where the economy is dominated by first-tier industry, as is most common in less developed countries.

Reports of corporate social responsibility tend to favor descriptions of social investments; it is less common to report a social impact by con-

centrating on the business at hand. One challenge for management is to eliminate at source anything that contributes to the problems that will later need an intervention. In this way, businesses act with responsibility and do not create social problems.

It is imporant to examine the effects of corporate interventions. By comparing success stories and difficult experiences, some answers are provided to questions like: When does empowerment occur and how does it happen? What makes a community investment more likely to be sustainable? What are suitable policy environments for sustainable company-community interactions?

Interventions at Work

There is a wide array of experiences where a company has had a lasting impact on a community. In this chapter we will take a look at several cases that highlight the achievements and shortcomings of CSR practices in improving life conditions in communities. In each case, we analyze the characteristics of the community, the process in which they engaged, and the effects of the intervention. Several of these experiences depict the **direct integration** of low-income populations into business processes; others exemplify cases of **corporate social investment**. Some have been able to include community members as active participants; others continue to exclude them. A road to be mapped emerges from these experiences.

Participation throughout All Stages

Twenty miles off the North coast of Honduras are a group of islets and keys known as Cayos Cochinos (Hog Keys). Though small and geographically unprotected from the storms coming through the Caribbean Sea, the Keys are an important economic hub for three Garifuna artisan-fishing communities. The Garifuna, descendants of survivors of a wrecked slave ship and local Arawak Indians, have been designated by the United Nations as a World Heritage Culture and maintain a distinct identity in their language, traditions and livelihood. Unfortunately, the Garifuna are faced with the challenges of extreme poverty, lacking access to healthcare and education, as well as the complexities of being a racial minority.

Since the early 1990s, there has been significant interest in the Keys because the surrounding coral reefs exhibit some of the greatest biodiversity in Central America. In 1992, the Smithsonian Institute completed a study that found threats to the local environment and concluded that a proactive management plan restricting human activity would eventually repair the damage. The study did not contemplate, however, a specific

strategy for limiting local human activity or, more importantly, the needs of the Garifuna. Interest in the area converged to create a strategy of collective action for its long-term environmental sustainability. The Cayos Cochinos Foundation was established as a nonprofit organization and was capitalized jointly by members of the private sector, including multinational corporations and a dozen representatives of national Honduran businesses. Why did corporations in Honduras, a country with little CSR culture, commit to such a long-term, complicated undertaking? First, the international attention and support that Cayos Cochinos has received from the Inter-American Foundation, Texaco, Avina Foundation and World Wildlife Fund, created prestige in being associated with the project. Second, members of the Foundation's Board all have an individual interest and dedication to the preservation of the environment, making the Foundation fully operational very quickly.

Today, the Cayos Cochinos Foundation represents a model of companies bringing together resources, community input, political will and scientific study. As it was originally conceived, the Foundation solely devoted itself to the scientific study and environmental preservation by restricting human activity within the area. However, this resulted in friction with the local communities, who subsist on fishing. The Foundation learned that the socio-economic position of the Garifuna is critical to the success of managing the reserve and that local buy-in was at risk if the community was not involved in the Foundation's planning process.

The Foundation has learned that community participation is a valuable tool in managing community development programs. For example, in a scientific research and observation station on Cayo Menor, only Foundation staff, scientists and members of the Honduran Navy lodged there to patrol the waters of Cayos Cochinos and ensure compliance with fishing controls. Today, Garifuna fishermen are employed as park rangers and also reside at the station. Their job is to monitor activities in the protected zones, educate people about policies protecting the keys, and lend their unique expertise of the area to assist in the management of the reserve. Educational programs are jointly developed and taught by the Foundation and Garifuna educators to local school children. One such program involves students in raising and eventually releasing endangered species of sea turtles. Other initiatives include capacity-building exercises such as micro-enterprise development, exchange visits with artisanal fishermen in other countries, and grassroots lobbying efforts with the national government.

Cayos Cochinos presents many lessons on how community engagement must be participatory to be successful. Corporations that wish to

support community development often find themselves acting in concert with other international and national donor organizations, all pursuing development from many angles. This can be a double-edged sword if project goals and coordination are not managed well and the community is an afterthought. Corporations should carefully consider the motives of intermediary organizations when working with them to make a community investment. Communities are complex systems. CSR programs must be clearly articulated to local communities, be prepared to commit for the long term, and have a mechanism for feedback from all involved partners. Having institutions with personnel dedicated to the program is key for stability, both from the company's perspective and the community's (James 2004a).

The Learning Curve during the Life Cycle of CSR Programs

The Department of Oruro houses 5 percent of Bolivia's 8 million inhabitants. The richness of the native Aymara Indian culture stands in contrast to the economic poverty resulting from the region's precarious agricultural system. In the early 1990s, more than 70 percent of the families in Oruro were officially categorized as living in poverty, 84 percent did not have access to potable water and/or latrines, and 55 percent could not reach the nearest community health center for lack of adequate transportation. The Inti Raymi gold mine is located in this region and is responsible for over 60 percent of the gold production in Bolivia. It has created 700 jobs for Bolivian citizens, paying out $8.2 million per year in salaries and benefits. The mine also spends $18 million annually on local goods and services and pays $4 million in taxes. The Newmont Mining Corporation, a company that became the world's largest gold producer in early 2002, is the majority owner of the Inti Raymi mine. The company exemplifies how, by concentrating on its business, it contributes to workers in Oruro. It prides itself on providing much higher income to its workers than the local and national averages.[3] The company also provides training and education, and full access to medical care to its employees. The Inti Raymi mine has one of the best reputations in Bolivia, a strong safety and health record, and good relations with the union representing the mineworkers.

In 1991, Mario Mercado, a former company president, established the Inti Raymi Foundation to promote sustainable development through alliances between the public, private and civil society sectors. Today, grass-

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[3] According to 2001 figures, villagers in Oruro had an average annual income of $300, while the annual average salary for Inti Raymi workers was $10,500 (annual per capita income in Bolivia averaged $1,021).

roots development is one of the foundation's key objectives. Social investments include health and education programs, while productive investments involve a small business program, grants and a loans program. These were developed in partnerships with the municipal governments and with the Inter-American Foundation. By 2003, the Foundation had invested more than $10 million in rural development projects for 25 communities and the city of Oruro. Community members say, "living conditions have changed now that they have water, electricity, and latrines." The project has brought these services to more than 200 families in the region. Also, once dependent on potato farming, they now have access to a small fund that has made more than 50 credits to local community members for micro-enterprise development.

Whenever a large corporation has physical presence in a specific location, expectations are raised in the surrounding community. This is particularly true in regions where residents have little or no other means of economic security available besides the company's activities. An extractive industry is in the commodity business and, like the local community, depends on the available natural resources. There is one significant distinction, however, in that the mining corporation will eventually close operations and move on while the community cannot. Since the life of the mine is finite, the community, corporation and Foundation have worked together to develop a strategic plan to assure a smooth transition once the mining concession is over. Their overarching goal is to achieve continuity in the design, funding and implementation of social programs, so that even after the mine shuts down, the Foundation can continue.

To that end, the Foundation is exploring an endowment fund with seed capital from the company. As a first step, Inti Raymi created a U.S.-based foundation for fundraising. Different sources of funding have been explored, including the Bolivian expatriate community. Beyond organizational self-sufficiency, Inti Raymi is considering sustainability for specific projects like its micro-credit program. Another important factor in long-term planning is the development of sustainable leadership. Attracting visionary leaders to run the foundation could become more difficult once business interest no longer backs it. In response, Inti Raymi expects to open its Board of Directors to both community members as well as nationally known leaders, thereby increasing both the talent pool and the visibility of the foundation's management. Finally, certain procedural issues have already been planned in conjunction with community input, such as ownership of land and payment/compensation for land use. Due to the presence of the mine for so many years, the region enjoys good infrastructure such as roads, electricity and an airport. This could open

the door for new productive land use. When the mine shuts down, possible replacement institutions include an industrial park, a university or a wildlife habitat.

Early in its timeline of community involvement, the Inti Raymi Foundation carried out a number of programs that included health initiatives such as the construction of a hospital and economic development initiatives such as a sheep production project. Several of the projects were primarily intended for the mineworkers, but were also made available to the community at large. Others, such as the sheep-raising and marketing projects, did not include miners at all and were targeted towards other segments of the population. Though the programs were described as successful and well-received overall, the foundation managed a top-down model of program funding, with ideas and implementation of projects generated by Inti Raymi and communities not included in the planning process.

To capitalize on corporate-sponsored social programs, communities must be able to participate fully and equally in this and other aspects of the operations. When local people are equal stakeholders, sensitive issues such as land tenure and usage rights can be resolved in a transparent manner. Inti Raymi has discovered that if communities are part of the negotiation process, agreements necessary for the mine's existence are resolved much more quickly and profits increase. Those agreements have a certain legitimacy in the eyes of the people, and the mine's daily operations are less likely to be interrupted by civil unrest.

This case presents two valuable lessons for other corporate foundations involved in CSR programs with local communities. There is a learning curve that can be accelerated by partnerships with institutions that have experience in community engagement. Though obvious for a mining company, a well-planned exit strategy should be a part of every company's efforts in community engagement as it actively commits both the company and the community to avoid traditional dependency programs. Finally, intangible benefits to the community, like an increase in individual self-esteem (2,300 community members indicated this in an evaluation process), are more valuable than an increase in income as they represent a change in mindset, particularly one from dependency to independence which is at the root of participation (James 2004c).

Strategic Initiatives that Promote Citizenship

Rural communities in Huila, a southern Department in Colombia, have lived on cattle for more than two centuries. For these disperse and isolated communities, government presence was rare and the arrival of an oil

company in the 1950s was an important event. Roads were built to start oil production in the 1960s, and the international oil crisis of the 1970s boosted the oil industry in this neglected region. Communities finally had someone to ask for basic social infrastructure and Hocol, one of the companies there, responded by providing the resources to build schools and health centers.

Until the beginning of the 1990s, Hocol subcontracted organizations that would work with the communities where they had operations. In 1992, some of the community leaders who had been supported by Hocol through its micro-enterprise program organized a strike against the company. The oil industry was blamed for a painful drought, which in fact was due to specific weather patterns and cattle-raising conditions. Hocol's production was halted and, several days after the strike began, guerrillas blew up some of the production infrastructure. It was clear to Hocol that the community did not recognize them as being helpful. The company decided to stop subcontracting its social initiatives and from then on, its own foundation—established five years earlier—developed the micro-enterprise program and started an environmental education program. The latter became crucial for community members to understand the reasons behind the drought and to develop projects that would protect and recuperate water sources.

Another turning point was in 1994: financial difficulties ended up slashing, by half, the company's budget for social initiatives. The Hocol Foundation had already agreed with the communities to develop projects for twice the resources they had, but Hocol's people in the field decided to keep the year plan intact. The alternative was to raise funds within the communities and with the government, and the question arose as to why education and health had become Hocol's responsibility. From then on, government organizations were summoned to participate in every program and were funded by several partners. Between 2001 and 2003, social initiatives worth two million dollars were developed: 46 percent of the funds came from Hocol, 19 percent from communities, 16 percent from government, and 19 percent from other sources, such as multilateral agencies.

As the relationship between the communities and Hocol evolved, the meaning of community development changed for all parties. The Foundation opened programs for community development and for institutional strengthening. In the first one, a "School for Democracy" and a "Rural School for Community and Citizen Participation" were created because Hocol wanted to learn, with its communities, how to take advantage of the shift to a participatory democracy within the framework of the new Colombian Constitution enacted in 1991. According to a Hocol

executive, "the best we can do is to teach people the value of being leaders of their own life." The "School for Democracy" is now formally offered at the state university and teaches how to participate in order to decide; community members are given tools to diagnose their needs, set priorities, and develop projects that are funded by different partners. Similar to the expansion of this school, other projects became regional initiatives. For example, in the institutional strengthening program, Hocol started by inviting the government to participate in community projects; in 2004, the company participated in eight different coordinating and decision-making committees at the regional level.

Strengthened communities have been key to the development of Hocol as a business. Oil companies explore vast and remote territories, and then produce with expensive machinery. As part of the armed conflict in Colombia during 2003, there were 753 attacks on oil infrastructures, but none on Hocol's. One of Hocol's main competitive advantages today is its capacity to operate in any part of Colombia. This capacity, extremely appreciated in the oil industry, has been instrumental for Hocol's expansion: the company has been invited as a partner in different projects with the main companies in the oil industry; it has become the third largest operator in the country, and its overseas shareholders have decided to close operations elsewhere and concentrate their investments in Hocol to expand its operations to other Andean countries. All of its projects show impressive figures: in record time they carried out one of the largest private seismic initiatives in recent years in Colombia; they had 2,350,000 working hours without any disabling accident in 48 rural communities, in five municipalities; created jobs for 1,430 local workers; and invested $5.7 million in social development in the region. An award-winning communications program was responsible for the clear, transparent and timely information that paved the way to reach consensus with the communities on issues such as wage definition, local workforce hiring, and payments for land usage within a moderate budget by industry standards.

Hocol has learned that it needs long-term relationships with communities. This involves communication, participation, consensus building and feedback. By interacting, communities have learned to work together to change their life conditions; not only are they able to solve their internal conflicts, but they are also able to apply external pressure for their rights to be protected. Communities that Hocol has left have continued improving on their own. As the company's employees say, "a public good has strengthened the social fabric" (Gutiérrez, Barragán and Uribe 2004).

Economic Benefits through Adequate Responses to Legal Requirements

Pará is the second largest state in Brazil. While the state has good industrial development indicators, few benefits trickle down to local communities: the average annual income is $2,200, compared to the national average of $7,600. Communities living within the Amazonian basin are further removed from the larger economy given their geographic isolation. Despite rich and plentiful natural resources, community-based agro-industries in the region face obstacles in their efforts to market products and engage in sustainable resource management. In terms of commercialization, these communities of producers often have limited organizational capacity, as well as limited access to technologies needed to tap into the larger markets. POEMAR, a non-profit organization located in Pará, trains in all aspects of product development with a focus on low-cost technologies that add value. POEMAR works with producers to diversify their production, gain information on market demand and quality standards, and establish relationships with corporations looking for local sourcing agents. POEMAR provides support in a way that ensures local agro-industrialists preserve their natural environment for future generations.

POEMAR is part of the larger "POEMAR system" within the Environmental Center at the Federal University of Pará. POEMAR capitalizes on the university's laboratories to study regional natural products and develop technologies for processing and quality control. POEMAR's competitive advantage is its ability to establish market relationships between different actors. For example, the organization has linked buyers and suppliers in the coconut fiber industry in Pará. POEMAR approached Daimler-Chrysler (at the time Daimler-Benz AG) to conduct research on substituting synthetic inputs with natural fibers for interior car parts. In 1992, Daimler-Chrysler agreed to make an initial investment of $1.4 million to research viable natural fiber products and the role local communities could play as suppliers of these products. The result of three years of research was a pilot project to produce headrests and other interior car parts in the community of Praia Grande. Initially, these were manufactured manually. Eventually, Daimler-Chrysler donated equipment to allow for more efficient processing of fibers. Amazonian Bank BASA later financed additional investments in the project. POEMAR trained community members in technology, administration, marketing and innovative agro-forestry practices. Coconut production was raised from 9 to 40 coconuts per tree.

Two major challenges were identified in the pilot project: transporting the car parts from the remote community and meeting production deadlines that were not customary in rural community production. With

help from POEMAR these obstacles were resolved and in March 2001, the first fiber-processing plant was inaugurated. POEMATEC, a business also in the POEMAR system, undertook management of the plant and assures that quality and quantity are consistent with market demand. Financing for the plant came from the government of the State of Pará, the municipal government of Ananindeua, the Amazonian Bank, Daimler-Chrysler and (the German Investment and Development Company). Specifically, Daimler-Chrysler provided $4 million for the supply of imported machinery and provided training in the use of the equipment.

Today, the plant has a production capacity of 80,000 tons/month. A total of 25 percent of its production is dedicated to the demand for interior car parts at Daimler-Chrysler. The plant is quickly expanding to meet new client demand in the automotive industry from General Motors and Honda. The plant is also adding product lines like gardening pots and mattresses. Apart from the cutting-edge plant and technological innovations, the real success story is that of the benefits to the rural community organizations in eight districts that supply the coconut fiber to POEMATEC. POEMACOOP, a cooperative of small producers and specialized technicians, purchases inputs in bulk to allow small producers to benefit from the associated economies of scale. All this translates into approximately 4,000 new jobs created in coconut fiber production, including agricultural producers, processing plant workers, and plant workers. The project has allowed this community of agricultural producers to participate in the global economy with a Fortune 100 company.

The project also has measurable benefits for Daimler-Chrysler's business. The company is able to meet its local content requirements by sourcing its interior car parts from the coconut fiber plant. Also, the company is able to ensure that its vehicle production meets the high environmental and recycling standards set at home in Germany. Finally, sourcing these parts is as economically viable, if not more so, than their synthetic counterparts.

From the corporation's perspective, the key lessons learned from this case are two-fold: First, that corporate self-interest can be a powerful motivator in establishing sustainable, successful CSR programs. Daimler Chrysler has tied many business objectives to this program, to local content and to environmental content compliance, making it one of the most successful economic development programs in the region. Secondly, innovative commercial relationships can be mutually beneficial for a company and local communities, while also adhering to environmentally sound principles of sustainable development. Communities must identify their indigenous comparative advantage when engaging with a corporation. Regardless of representation of the communities by either NGOs or gov-

ernments, the environment is often the platform for communities of interest. In the Amazon there is enormous support for sustainable resource management and this project would address concerns for communities of interest focused on the environment (Menucci 2004).

Community Investment through Partnerships

On the periphery of Mexico City's limits, the Delegación Iztapalapa houses some of Mexico's most marginalized neighborhoods, over 90 percent of whose inhabitants live in poverty. Annual family incomes range from $1,800 to $3,600, and the prospects for future generations are bleak, as only 50 percent of the children finish elementary school. Iztapalapa attracts immigrants from Mexico's 35 states, who come in search of economic opportunity. For most, the stark reality of Latin America's biggest city sets in and families begin to search for ways to sustain themselves as micro-entrepreneurs in the new urban setting.

In contrast, a well-known Mexican industrialist family, the Servitjes, founded Grupo Bimbo S.A., the eighth largest baked goods corporation in the world with operations in 60 countries. In 2001, the group had 70,000 employees worldwide and boasted net sales of $3,686 billion. Today, its investment in the community ties directly into its core business by linking credit to the company's distribution system through an innovative partnership with FinComún, a Mexican financial services business dedicated to serving low-income people. FinComún is widely recognized as Mexico's premier micro-finance institution. It is a pioneer on several fronts, including the capture of capital through savings accounts, customer service, use of technology, the testing of new ideas and innovative partnerships. These savings programs support FinComún's micro-lending program. Loans are made to low-income individuals, small businesses and productive activities, at the prevailing market rate for a period of 16 weeks. As of 2001, 11,576 loans have been made, totaling $12 million, with a default rate of 0.1 percent. FinComún has successfully used its reputation and ties to the private sector to gain recognition from the Mexican government to include management responsibility for a three-million-dollar government micro-credit fund and deep involvement in shaping national policy to regulate micro-finance activities.

FinComún presented an innovative opportunity to Grupo Bimbo as it tied its community investment strategy directly into core business activities. The partnership allows Bimbo to take advantage of FinComún's expertise in providing micro-loans, while FinComún is tapping into Bimbo's distribution network and product delivery methodology: FinComún's loan advisors accompany Bimbo delivery drivers on their daily routes.

Because loan amounts are small (starting at $50), with an average of $750 per client, financial sustainability depends on volume. As a way to increase its customer base, FinComún's new business model involves going physically into low-income neighborhoods to identify new clients, rather than depending exclusively on branch offices to attract business. The partnership with Bimbo enables this and, since the Bimbo brand is strongly associated with quality, it gives FinComún instant credibility with potential clients.

Grupo Bimbo was concerned about the bottom line: the company derives 80 percent of its income from small "mom and pop" stores; 20 percent of these clients regularly ask for credit. Previously, Bimbo had an informal program to provide credit services to these stores. As a result of the partnership with FinComún, Bimbo expects to reduce bad debt and the amount of time in which loans are repaid, and achieve its goal of providing credit to 22-30 percent of its clients.

Initial results of a small-scale pilot program between the two showed that 20 percent of Bimbo clients received credit and expressed overall satisfaction with the customer service provided by FinComún. The next stage of the plan involves the donation of a Bimbo van that will be customized as a mobile FinComún branch office. If the neighborhood is favorable to micro-credit operations, it will also be a precursor to a permanent branch office. With this new method, FinComún expects new branch offices to break even in six months, rather than the current one-year timeframe for the customer base to be established. And there are more collaborative plans in the pipeline: Once Grupo Bimbo's customer database can be merged with FinComún's credit analysis and client/industry profiles, there is the possibility of a program of pre-authorized credit. FinComún is looking at managing some of Bimbo's liquid assets. The possibilities for these community investments seem limitless.

The impact of this project is being evaluated to determine how much access to credit has allowed small and medium-size enterprises in Mexico City to expand their businesses, create employment, and generate capital in their local communities. More than 50 percent of FinComún's loan recipients are low-income women who engage in commercial activities, ranging from fruit and vegetable stands to seamstress shops and grocery convenience stores. At the same time, these entrepreneurs have begun to develop a credit record that will be invaluable to them as they attempt to advance their businesses and require more capital (James 2004b).

Unlike the other cases presented in this chapter, the community affected by Grupo Bimbo is less tightly sewn as it is comprised of individuals in an urban setting. They are a community of micro-entrepreneurs

who depend on each other at arms length to drive the local economy and repay loans to further capitalize each other's business. The process of engagement uses a bank, FinComún, as an intermediary to articulate a very specific need of the community of micro-entrepreneurs in Iztapalapa: access to capital. Urban community interventions are arguably harder to assess in a collective sense, since people act much more independently in defining and responding to their needs.

A Continuum of Results from CSR Interventions

A company's impact on a community can be placed on a continuum that ranges from an end where environmental degradation, corruption and social unrest are common, to another end where conservation and citizenship practices have been institutionalized. A company with clean production that fails to promote citizenship is right in the middle. Moving towards the desirable end implies democratic efforts that increasingly empower community members.

Since no study has determined the main factors that affect the impact of CSR activities on a community, we chose to concentrate on five cases (Table 9.2 summarizes the characteristics of these cases). We can only infer some characteristics of the relationships between types of intervention, processes and impacts. At most, we can state hypotheses about these relationships.

The five cases show different ways in which direct integration of communities into business processes and corporate social investment take place. Daimler Chrysler and Grupo Bimbo were able to directly integrate a community investment program into their core business practices. The Inti Raymi Foundation and the Cayos Cochinos Foundation exemplify two different types of corporate investment in social initiatives: a corporate foundation investing in the community and a foundation established by several corporations to work on a common interest. Hocol started by investing in social initiatives and, in time, found those initiatives to be one of its main sources of competitive advantage.

The Business Integration Approach

Increasingly, corporations see the value in incorporating low-income communities directly into their supply chain through training relationships, supplier relationships, distribution relationships, and even market competitor relationships. Business integration can fill the socio-economic gaps common in less economically-developed countries with some trans-

Table 9.2: Main characteristics of five experiences

Cases	Initial life conditions in community	Type of intervention	Spaces for community participation	Link to operations	Distinctive characteristics of the intervention	Results and impacts
Cayos Cochinos	low access to health and education by racial minority	Corporations invest through foundation	Foundation programs and community education programs	Innovation not related to businesses	Community integration into foundation	Organized grassroots lobbying
Inti Raymi	84 percent with no access to potable water and latrines	Corporate investment by foundation	Negotiation processes and foundation board	Innovation sometimes related to business	Learning curve by foundation	Social services, 700 jobs, $10 million invested
Hocol	Fragmented and isolated rural communities	Business strategy by foundation	Foundation and community development programs	Strategic innovation for business	Social initiatives become sources of competitive advantage	Organized citizens; in one project alone, 1,430 jobs and $5.7 million invested
Daimler Chrysler	Fragmented and isolated rural communities	Strengthen community suppliers through NGO	Small producers cooperative	Strategic innovation for business	Compliance with local content and environmental standards	4,000 jobs, $5.4 million invested
Grupo Bimbo	Fragmented urban interest communities	Services to customers through NGO		Strategic innovation for business	Strategic partnership with NGO	$12 million credits

fer of technology, capital and business process from the corporation to the community: Daimler Chrysler invested in industrializing an indigenous technology and capitalized its development; Grupo Bimbo increases access to financial services to better serve its distribution system; and Hocol works in partnerships to improve life conditions in the society where it operates (see Table 9.3).

Multinationals working in developing countries have been motivated to engage in the business integration model of CSR by different factors: complying with regulations, profiting from market opportunities, developing competitive advantages, appealing to consumers and employees, or with a clear interest to create wealth in poverty-stricken contexts. National companies are also concerned that governments are not investing in the local resources required to keep their businesses going (Jones, 2004).

The effects of corporations on communities are unique to each experience. Interventions directly tying communities to business practices provide local groups with an opportunity to participate as members of the global economy. Sometimes, however, this opportunity is not available because corporations do not want to share their privileges. This happened when, in 2003, Bogotá's garbage collection system was renegotiated and the metropolis of 7.5 million people was divided into six geographic zones. Around 70,000 recycling workers, organized in 23 cooperatives, wanted to participate in the bidding process for garbage collection. It was far from being an equal opportunity process. Despite their efforts, these workers were excluded in an unfair process—according to the Colombian Supreme Court of Justice—and the six zones were assigned to large corporations. CSR did not mean, for any of these companies, working with recycling workers.

The Social Investment Approach

Social initiatives undertaken by corporate foundations—where corporate and community needs are less closely linked than in situations of direct business integration—require dialogue and community participation, rather than top–down programs. In three of the cases described above, an initial top–down approach resulted in losing sight of the community. Strikes and lack of organizational effectiveness disappeared when the foundations went beyond information and consultation and opened up spaces for community participation in designing, funding and executing programs. Without community input into program development, well-meaning corporate foundations can create projects that have no positive

Table 9.3: Examples of CSR practices

Scope Stakeholders	Compliance with law	Observe social norms by choice	Direct integration into business	Social investment
Groups with direct link to business	OSH / EEO Consumer Protection	Fair trade	Daimler Chrysler Brazil	
Other groups with ties to business	Anti-trust regulation	Cluster competitiveness	Grupo Bimbo	
				Inti Raymi Found. Cayos Cochinos F.
Local community	Local content	Local culture	Manpa	
				Shell Chile
Society	Environmental protection	Social inclusion	Hocol	Peñoles ASA-FEBRABAN

long-term effect on local communities and there is an increased risk of treating symptoms of social problems rather than their root causes.

When are corporate foundations the best vehicle for CSR investment in a community? In Latin America, corporate foundations offer companies a vehicle to administer social programs under a brand name with specialized staff that can design, implement and evaluate programs effectively. The corporate foundation is also sometimes a helpful intermediary between the community and the corporation. Foundations deal directly with the community and corporations can focus on day-to-day business. Sometimes, however, corporate foundations get in the way of community development.

The results of micro-credit programs in Colombia over the past couple of decades provide an example of the shortcomings of corporate foundations. An evaluation of the National Plan of Micro-enterprise Development concluded that employment was not generated, nor were people pulled out of poverty; beneficiaries remained in their positions (Departamento Nacional de Planeación, Fundación Corona y Corporación para el Desarrollo de las Microempresas 1998). Rojas examined the National Plan and the role of corporate foundations, contending that:

> *While contracts with corporate philanthropy increase economic resources and provide innovative solutions to social ills, they have not similarly contributed to the democratization of the decision-making process nor the strengthening of state legitimacy. Programs in the hands of foundations are not accountable to citizens nor do they in-*

crease the capacity of the state to act as an intermediary of powerful interests (2002).

Corporate foundations, for example, resisted the creation of an organization of micro-entrepreneurs that would participate in the decision-making processes. According to Villar (1999), political empowerment was not on the agenda of corporate foundations in their work with micro-entrepreneurs.

However, corporate foundations are only one among several alternatives. For example, social investment can be carried out through a subcontracted nonprofit organization or through an industry association. Four chapters in this book describe Latin American experiences in social investments. One company, Manpa, is working to make its social investment a strategic part of its business. The other three cases illustrate different ways in which communities are transformed through corporate social investments (see Table 9.3).

Motivations do not seem to be related to structures of intervention or to the results and impacts of corporate interventions in a community. As previously mentioned, in companies where top managers are also the owners, altruistic motivations may exist; utilitarian motives appear where professional managers report to the owners. Among the described cases, experiences fueled by utilitarian incentives experienced fewer upheavals than those where altruistic objectives predominated.

A Needed Intermediary Role

Despite their shortcomings, corporate foundations have a role to play. Applying a well-known principle in chaos theory, companies are high–energy systems that can distort or destroy a low–energy system like a community unless an intermediary exists. In the cases mentioned above, the relationship with the community is not direct: nonprofit organizations served as intermediaries between the company and the community. These intermediaries have been the catalysts to engage the communities with the corporation, articulate the potential for a partnership, and bridge the corporate requirements with community capacity. Nonprofit organizations can play an important role in the inclusion of disadvantaged populations in social, political and economic circles. Through service or advocacy, these organizations can make a difference.

Interaction between a company and an intermediary organization is not easy. Also, the effect of this intermediary on the community must be considered. The SEKN research team studied the interactions between

private and social sector organizations in 24 cases throughout Latin America. They discovered six barriers to collaboration:

○   The search for an interlocutor: "Sometimes, choosing an interlocutor is almost as important as choosing the message" (Austin, Reficco et al. 2004).

○   The power of pre-existing relations: social networks are a critical organizational resource and prior links to an individual or to a cause influence the unfolding dialogue in different ways.

○   Imbalances in partners' institutional capabilities: the greater the institutional capacity, the smaller the barriers to cross-sector collaboration. A community without an organizational structure exhibits the least institutional capacity; this capacity increases as a community leader attempts to organize efforts. Greater capacity exists when an individual or a group is backed by an established organization and the greatest capacity is achieved with a mature organization, one with executive leadership and specialized staff.

○   Differences in organizational cultures: lack of a common language, negative stereotypes, clashes between a culture of austerity and a culture of opulence, and different time frameworks.

○   Communicating effectively: "An effective message demands a skilled communicator" (Austin, Reficco et al. 2004).

○   The importance of being proactive and persistent: "Connecting successfully with another organization entails an alignment of several factors" (Austin, Reficco et al. 2004).

Developing alliances involves time and difficulties. Holly Wise, one of the leaders of USAID in their alliance with Procter & Gamble, says: "true partnership involves shared problem definition and joint design of solutions; partners want to be involved at the front end, not invited to join after major decisions have been made; and alliances require special outreach and messaging which we are not accustomed to doing" (Gutiérrez 2003).

Although the collaboration between companies and intermediary organizations may be difficult, and the latter may have varying impacts on communities, these organizations are key to increasing well-being in a society. For example, they coordinate governments and communities to increase common goods, help protect some rights, promote self-control and sometimes promote citizenship.

Lessons Drawn from a Comparative Perspective

Both success stories and difficult experiences help show some of the important characteristics of the relationships between corporations and communities. These are some of the lessons learned:

○ A company with an enlightened self-interest in its CSR program ensures its commitment to the program and the program's sustainability.

○ Communities involved from the onset in defining a project make it successful; corporations cannot assume they understand the needs of a community by taking them at face value.

○ Partnerships last when both institutional and individual relationships exist throughout. Partnering for its own sake is not enough; alliances involve alignment and value generation, and have to be managed.

○ Projects do not create untenable expectations in local communities when they consider the whole life cycle and the sustainability of the investment after an appropriate exit strategy is executed.

○ Financial resources are only part of the equation. Corporations can have enormous impact with limited financing if programs are well defined and well accompanied.

Current Trends of CSR in Latin America

All sectors of society are asked to contribute their share, since social problems have increased and states have lost part of the preeminent role assigned to them in pushing the carts of development. Expectations related to what private companies can do as corporate citizens have increased, and a support system is being developed so that the private sector can fulfill these expectations: multilateral agencies are investing more resources in the private than in the public sector; universities offer new programs for social enterprises; coalitions of civil sector organizations are forged; volunteerism is on the rise; and the mass media gives increasing attention to social initiatives.

Following in the steps of corporations in the economically developed countries, current trends in Latin America include the deepening of CSR models, the extension of CSR practices to small and medium-size suppliers, an increase in cross-sector alliances, and the building of relational capital through the development of grassroots organizations.

The Deepening of CSR Models

Drucker was clear about transforming social responsibilities into business opportunities: "But the proper 'social responsibility' of business is to tame the dragon, that is, to turn a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well-paid jobs, and into wealth" (1984). Nowadays, according to Windsor (2001), "a leitmotif of wealth creation progressively dominates the managerial conception of responsibility." He cautions that it "can easily lead to both moral misconduct and financial manipulations ultimately destructive of social purposes and stakeholders' welfare." Without optimism, he observes how the economic conception of responsibility has been countered by a global corporate citizenship philosophy and by stakeholder management practices.

How does the deepening of CSR models look in practice? For example, a decision at the corporate level is not readily made operational at the local level. A firm's "level of corporate responsiveness may not be mirrored effectively in dealings between subsidiary business units and their most important direct stakeholders: local communities and in the developing world" (Wheeler, Fabig and Boele 2002). The deepening of CSR models depends on leaders searching for consistency between the definition and implementation of strategies. It is a path where profits, power and prestige are combined, and with critical challenges for the firm and its stakeholders. On one hand, companies need inclusive dialogues even where shared understanding is lacking; and firms should avoid legitimizing and de-legitimizing fragmented stakeholders. On the other hand, stakeholders need to dialogue even where trust does not exist and deal with contradictory views within firms.

An example of a company deepening its CSR model is Manpa, Venezuela's leading national paper manufacturer, which has an innovative program to establish a sustainable network of community-led recycling programs. This began as an offshoot of the philanthropic efforts of Manpa's founding family and, today, the program has the potential to be a strategic business ally for the company and a source of direct benefits for participating low-income Venezuelans. Despite difficult political and economic conditions, this case shows how corporations can develop successful community CSR programs that are good both for business and the community if they work in their enlightened self-interest as well in the interest of local communities (see Chapter 3).

Extension of CSR Practices to Suppliers

Large corporations are extending their CSR practices to their suppliers. Two examples among many: McDonald's and Techint, an Argentinean multinational in the steel, construction and energy industries, have transformed how their suppliers operate in many countries (Gutiérrez 2004).

CSR policies towards suppliers are especially relevant for three reasons: they take CSR practices beyond big corporations; responsible policies with suppliers improve the competitive position for both the supplier and the company; and cases with subcontractors and labor practices have lately been in the spotlight. Inclusion and responsible competition bring support to suppliers to the forefront. This support takes on different forms: training, help with certification efforts, joint R&D projects and the promotion of codes of conduct, among others.

These projects pose important questions to businesses and policy makers. Managers can observe how organizational limits are broken down as their companies get closer to suppliers, and how the nature of control and supervision changes. Policy makers will be interested in the outcomes of these tightened relations because they point towards different types of interventions that leverage social change.

Increased Cross-sector Alliances

Despite their operational difficulties, cross-sector alliances are increasingly frequent. Several authors contend that alliances will be the feature of the new century (Austin 2000; Vives and Heinecke 2003). Why is this happening? "The contributions that business can make to problems that communities experience is often achieved best by the corporation working with other businesses or with the government and NGOs. This helps to pool resources, cut costs, and share skills and risks among the partners" (Grayson and Hodges 2002).

In the past decade, cross-sector alliances have dealt with every type of social problem, and these collaborations are expected to increase even more (Sagawa and Segal, 2000). As an alternative path to development, alliances are particularly important in Third World countries. In Latin America, collaborative work has been enabled by three trends that have changed relations across the entire social landscape: democratization, decentralization, and "growth through the market" (Fizbein and Lowden 1999; Googins and Rochlin 2000). Tackling social problems is now a shared responsibility. As Trist recognizes, important social issues belong to an inter-organizational domain and cannot be solved by an organization acting alone (Huxham and Vangen 2001).

Two Latin American cases described in subsequent chapters use cross-sector alliances as an operational strategy. The Federation of Brazilian Banks, Febraban, joined a network of NGOs called the Brazilian Semi-Arid Articulation (ASA for its acronym in Portuguese) to provide cisterns for the dry northeast region of the country. In the first phase, 10,000 cisterns were built, benefiting 50,000 people. The banks provided funds and support to management systems; ASA provided training, low cost construction methodologies, and local management; and the government promoted the program and served as a dialogue facilitator.

Chapter 5 describes the alliances established by Peñoles—a mining, metallurgic, and chemical company in Mexico—to improve the quality of life in communities surrounding its operations. In one of the 64 communities where it works, for example, Peñoles had a crucial role in the creation of the Committee for the Development of Zacazonapan in 1999. This committee works with community and local government in education, health, productive activities and infrastructure. In total, Peñoles participates in 12 Community Participation Boards, 12 Social Welfare Centers, and a volunteer network along the nine states where it has activities in Mexico.

Building Relational Capital

One last trend is the focus on building relational capital through the development of grassroots organizations. Working within the concept of "being poor is not being organized," many aid organizations have been working to strengthen the voice of some and the listening abilities of others. This work starts with increasing the capacity to organize and take collective action, thus augmenting *bonding social capital* within a given community. As organizations work together in networks, *bridging social capital* is developed. Last but not least, interaction with government institutions to scale up local operations builds on *linking social capital* (Villar 2003).

All of these forms of social capital are key to strengthening community-based organizations and to develop public interest institutions that support community development. Many corporate foundations, most working with the Inter-American Foundation in RedEAmérica, share this approach and are willing to learn along the way.

Some corporations are taking up part of the task directly. In Chile, Shell developed a volunteer program called "United Hands" with the nonprofit Casa de la Paz to improve quality of life in low-income communities. Joint initiatives have ranged from building infrastructure to environmental education campaigns. Communities have gained a sense of

their potential and have started new projects with the municipal government (see Chapter 6).

Gaps in the CSR Literature: Research to Be Done

Research on CSR in Latin America has concentrated on studying specific experiences, working inductively to generate hypotheses. This article does not overcome this limitation since the attempt to understand the impacts of CSR practices on communities is based on an overview of existing studies. Limited cross-sectional studies in Venezuela, Colombia, Brazil, Mexico, Chile and Argentina have just scratched the surface of the complex relationship between business and society.

How to move forward? The scarcity of testable propositions provides an area in need of scholarly contributions. Analytical work must be done to establish causal relations between the structures behind CSR practices, the processes completed, and the results obtained. Brammer and Millington (2003) took an initial step towards the needed analytical work as they tried to link organizational structure, industry type and stakeholder preferences with different types of corporate community involvement.

It is also important to deepen our understanding about issues such as CSR management, outcome measurement and impact evaluation. Practitioners have traveled down this road, and systematic approaches are under construction. Nonprofit organizations in Brazil, Chile and Argentina lead the way.

There is also a scarcity of research on the limits between private and public responsibilities. Once again, practitioners have reflected on such questions and have provided several responses. For example, Hocol has defined its political stance after much deliberation: it considers the state its main client and defines its operations as the use of a public good to improve living conditions for all those related to its business.

One starting point is to explore the two fundamentals that, according to Windsor, CSR reasoning must grapple with: "One fundamental is the prevailing psychology of the manager. The other fundamental is a normative framework for addressing how that psychology should be shaped" (2001).

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Manos Unidas (United Hands): Together, It Is Possible
A Case of Corporate Social Responsibility in Chile

By Ximena Abogabir

In recent years, Chile has gone through a process of deep trans-formation. The phenomenon of an emerging, radically different society has moved the "threshold of development" up to a ten-year horizon. The passage to this new reality has generated uncertainty and fear, as well as optimism and enthusiasm about the new opportunities offered by glo-balization and modernity. These feelings coexist with two of the national "pathologies" present in our country. One is the weakness of civil society, particularly after 17 years of military rule: seventy percent of Chileans de-clare they are not currently participating in any type of organization.[1] The other is profound social discrimination against indigenous people, poor people and immigrants.

The Shell Group is an international petroleum company that started operating in Chile 85 years ago. It now has 350 employees and 361 ser-vice centers in the country. Internationally, the company was a pioneer in recognizing that communities are an important stakeholder in any business and that they help maintain a company's "license to operate." In 1996, the company's headquarters in London instructed its Chilean affiliate to become involved in community work. However, although they had been exploring ways to contribute to the country, they found no precedents of similar programs in Chile. The local business culture seemed to consider that abiding by the law, paying taxes and creating jobs were sufficient contributions. Additionally, large companies—par-ticularly family businesses—give money to charities, especially those linked to the Catholic Church. In the last few years, there is an emerging trend to create corporate foundations to take advantage of tax benefits. These donations are mainly focused on education and providing relief to vulnerable groups.

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[1] CASEN Survey, 2000.

Coincidentally, around the same time, Casa de la Paz, an environmental NGO created in 1983, had decided to expand its activities to include relations with business, accepting that they were irreplaceable actors in the framework of sustainable development. To decide what companies it would work with, the organization's Board of Directors conditioned working relations with any business to the possibility of verifying the corporation's commitment to environmental protection. This was how Casa de la Paz identified Shell Chile as a partner and contacted them in 1996. The Board's conditions were as follows:

○ The company should have a proven interest in moving forward on environmental protection;

○ Casa de la Paz should not become financially dependent on any single source of funding; Casa de la Paz should prefer to work with companies holding environmental certification and/or awards for meeting standards, at the forefront of "clean" production and technological conversion;

○ Casa de la Paz should seek to balance projects in association with the private sector with social interest projects;

○ Casa de la Paz should establish formal contracts to authorize the temporary use of its name by a private company; and

○ No funding source should determine any educational content produced by Casa de la Paz.

Shell Chile's Health, Safety and Environment policy document states the company's commitment to the protection of the environment wherever it operates, accepting it as the main heritage for future generations. Its goal is to balance economical, environmental and social aspects of all its activities. It also asserts the company's permanent efforts to find new ways to reduce the environmental impact of its operations, products and services throughout their life cycle.

Tax incentives for corporate giving in Chile have been restricted only to cultural events, the formal school system and higher education. Thus, not only are companies discouraged from carrying out social or environmental programs, but also they cannot deduct such expenses from taxes. The current law regulating donations allows tax benefits only for initiatives providing resources and services to extreme poverty groups and persons with disabilities, excluding other issues such as environmental protection, gender, drug addiction, AIDS and indigenous peoples.

Moreover, a study called "The Paradoxes of Modernization," conducted by the United Nations Development Program (UNDP), in 1998, found that Chileans were among the most distrustful people in the world, and that private business was one of the groups most distrusted. However, mistrust is also predominant in relations between civil society and government officials. After 17 years of military rule, the country was divided, and remains divided, into two irreconcilable blocks: those who supported the authoritarian government; and those who resisted it.[2] Due to the brutal repression suffered by social movements at the time, becoming involved in issues related to the common good appeared suspicious "only Communists are concerned with the common good" or pointless "all politicians are corrupt." Being a social leader was considered downright dangerous. These prejudices still exist, to some extent, in the most vulnerable sectors of the population. On the other hand, after democracy was restored in the 1990s, the country managed to reduce poverty levels from 40 percent to 20 percent. This meant that, over a very short period, many people stopped identifying with the most dispossessed groups and quickly attempted to resemble the middle class, with their different cultural, behavioral and consumption patterns. This means that a new concept, the "former poor," should be added to the "new rich." Another feature of Chile as a country is strong social and spatial segregation. There is great economic inequity (the second worst in Latin America, after Brazil)[3], and despite all efforts to direct public aid programs towards extreme poverty groups, in the 14 years of democratic governments it has not been possible to close the academic achievement gap between schools attended by the poorest and richest groups.[4] Furthermore, the military intervention "arranged" cities so

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[2] A plebiscite held in 1989 ended the military regime, when just 44 percent of the population voted in favor of the authoritarian government, opening the way to a period known as the "transition to democracy" in 1990.

[3] In 2000, the ratio of the average per capita income between the richest 20 percent and poorest 20 percent of the population was 19. Source: Table II.1 in ECLAC. "Income Distribution: Characteristics and Trends," in ECLAC, ed, *Social Panorama of Latin America 2000–2001*. Santiago: 2001, pp. 67-84.

[4] The percentage of Gross Domestic Product allocated to education has increased from 3.8 percent (1990) to 7.4 percent (2000). This has allowed for basic educational conditions to improve dramatically in a little over a decade: the coverage of basic, middle and higher levels has increased substantially, completion rates have gone up, failure and drop-out rates have decreased, the infrastructure has expanded to all regions and teachers' salaries have tripled. However, one out of four (23 percent) of the poorest students aged 15 to 19 drops out before completing secondary education, compared to only 4 percent in the richest segment. A recent study on leadership in Chile highlights the fact that 82 percent of business leaders and 45 percent of political leaders graduated from private schools, which serve only 9 percent of the country's students (Source: Report on the Equity of Education in Chile, prepared by the OECD for the Ministry of Education, 2002).

that higher income groups could avoid contact with low-income groups, which were concentrated in peripheral rings around the cities.[5] These "two Chiles" do not know each other, do not mix spontaneously and are deeply distrustful of one another. "The poor die of hunger and the rich die of fear" is a macabre phrase that illustrates the Chilean situation today, referring to the meager results of governmental programs to defeat "hard-core poverty," and to the increase of violent episodes, particularly in urban areas.

It was in this context that Shell and Casa de la Paz established their relations, and for that, both institutions were harshly criticized. The former was accused of "feeding the enemy," and the latter, of "selling out to the enemy." At that time, an alliance between an international petroleum company and an environmental NGO was unthinkable. This atmosphere made relations between the two institutions very difficult at first. Shell officers, eager to get the project started, thought that the Casa de la Paz team was 'dragging their feet' because concrete work did not seem to start immediately; and Casa de la Paz insisted on diagnosing. Shell could not understand the language or the requirements of community work; they felt that Casa de la Paz had to be on their side unconditionally as contractors, failing to see the NGO as an independent mediator between the community and the company.

In this context, Shell misinterpreted the time that Casa de la Paz initially spent in getting to know the community, thinking that Casa de la Paz was giving the community tools to negotiate more benefits with the company. It was only possible to reverse that situation through the side-by-side work of people with different roles, mentalities and working methods, towards a common goal: serving a dispossessed community. Mistrust was overcome, and the Shell-Casa de la Paz alliance lasts to this day.

In order to protect the personal safety of the staff of Shell and Casa de la Paz, as well as the project's materials, it was decided from the outset that the work would be carried out in poor communities, but not in extreme poverty areas. In those years, Shell Chile stood out in the country's main business lobby group, the Sociedad de Fomento Fabril (SOFOFA) for its active participation in the Environment and Social Development Committees. This is why Shell decided to carry out its first project in a workers' neighborhood ("villa") built by SOFOFA ten years earlier, where the green spaces included in the original project had not been built. This made the project very visible and allowed for top business leaders and

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[5] The "*Manos Unidas*" program was carried out in the Metropolitan Region, which has an urban area of 53,941 hectares and a population of nearly 6 million. Ethnically, higher income groups are of European ascent, while the lower middle and lower classes come mostly from Mapuche-Spanish mixed-race, with 10 percent of the population identifying themselves as indigenous in origin.

government officials to attend the related public events, and resulted in some interesting press coverage and a few awards.[6]

In order to ensure the sustainability of its community activities, Shell Chile had developed clear guidelines for the selection and design of the programs:

○ Programs should respond to the community's actual needs, making it crucial for all those involved to participate from the start in identifying and prioritizing those needs.

○ Every social responsibility program should show positive results in the short, medium and long term.

○ The success of every program is linked to the participation of others in partnership with the company, working together and adding strengths, experiences and resources, and increasing Shell's level of transparency.

○ Focus on specific areas. In Chile, Shell works on economic development by promoting: entrepreneurship among youth; social development through joint community action; and the environment, by educating future generations and mitigating current environmental problems.

The criteria set out by the company required its employees' engagement in volunteer work. Until then, this practice had been unknown to Chilean corporations, and represented a new challenge that the initiators of the program faced with enthusiasm and creativity, since it meant putting the "two Chiles" in contact.

Manos Unidas, A Complex Project

The Manos Unidas program included the following steps:

❶ A multidisciplinary team was put together, made up of professionals, including social scientists with experience in the use of participatory tools, educators, landscapers, communication specialists and social workers, among others.

❷ Preliminary studies were conducted in the intervention area and its scope of influence was defined. The studies included demographic statistical data, existence of similar facilities in the surroundings, and social and cultural qualitative information.

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[6] The SOFOFA Social Development award (1998) and the Points of Light Foundation award. The project was also chosen among a hundred others by the Americas Fund, for a presentation to the Clinton administration's Secretary of State, Madeline Albright, during her visit to Chile.

3 The intervention area was initially approached through semi-structured interviews to typify the local organizational history, learning about its successes and failures, active or inactive institutions, and leaders and organizations most appreciated by the community.

4 An ad-hoc committee was established, made up of all the local institutions active as partners in the project. An organizational structure was chosen to avoid possible political or inter-personal disputes.

5 Relevant actors and institutions were identified at the local level and beyond it, and a network was established to support the project.

6 Participatory design tools were created and implemented.

7 The results were communicated to the group of professionals participating in the project to ensure that the outputs of the participatory design phase were properly planned.

8 The resulting proposal was then consulted and discussed with the community and their suggestions integrated into it.

9 The name of the project was chosen in a participatory manner.

10 Participatory educational events, including games, were held using local labor and volunteer work by Shell employees.

11 Contractors were informed about the participatory approach being used. The ad-hoc committee introduced itself to the company and proposed actions such as hiring locally and contracting catering services from the neighbors, and informing people about the possible inconveniences due to construction activities.

12 Environmental education activities were carried out to protect project components.

13 Participatory monitoring and evaluation were implemented.

The proposal was based on the principles and approaches to what the Casa de la Paz team called "Appropriate Green Spaces" (EVAs).[7] These stress that: if interventions aiming to improve living conditions are to be preserved for long periods of time in a disadvantaged urban area such as this one, it is crucial to emphasize a process of "appropriation" of the project by its recipients, during all phases of design, construction, maintenance and later on, activity programming. This means that the

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[7] Dascal (1994).

recipients should feel that the project is their own, that it is appropriate to their needs, and that it is environmentally appropriate (in terms of plant species, water and maintenance requirements, urban safety, and so on).[8]

In the area of environmental education, Casa de la Paz proposed an integrated approach to all the actions planned within the project. This included formal and informal interventions, that is, both within the school system and beyond. Children were chosen as the main subjects of environmental education actions because: they showed more willingness and sensitivity to environmental issues; and could bear messages to their parents and older siblings by adopting behaviors favoring healthy ways to live together and to use public spaces. They are also among the most numerous and active users of such spaces and thus could also turn into their potential "destroyers."

Planning and Adapting: The Methodological Clues

The first step of the program was to set up the Local Committee, made up of the social organizations existing in the area, and municipality officials or local public school representatives. The Committee was a space for reflection and collective work, where the group began to feel that the project was their own, and contributed their particular vision and input to set up a working plan.

The working plan was operated through a number of sub-committees devoted to the different work areas, such as park construction, solid waste management, park equipment and the children's club. Neighbors registered to participate in the different committees according to their expertise and personal vocation, as did Shell employees. Each sub-committee implemented the proposed actions, and sessions for participatory evaluation and reflection on lessons learned were conducted. Casa de la Paz facilitated the operation of the sub-committees, but decisions were made in a participatory, democratic and transparent fashion.

The project's design included two possible places for volunteer work:

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[8] 'EVAs' feature the following:
– Carrying out actions to encourage the community's appropriation of the intervention from the design phase on, involving the recipients in the design, implementation, maintenance, conduction of activities and safety design.
– Reduction of the required risk levels by using plant species that are appropriate for the local climate conditions.
– Taking into account not only construction costs in the design, but also future maintenance costs.
– Special attention should be given to design elements that ensure citizen safety, including lighting and avoiding "green hideouts."

○ Public, collective moments, where activities were carried out jointly by all the company volunteers, members of the community, the municipality and Casa de la Paz. These included planting, building infrastructure, embellishing classrooms and painting murals.

○ Individual work moments, where Shell employees supported the community by carrying out tasks they had previously chosen from a "menu" of options.

The steps to implement corporate volunteer work were as follows:

○ A volunteer program coordinator was chosen within the company.

○ Participation was encouraged through a newsletter explaining the program, as well as by e-mail, bulletin boards and talks.

○ An information session attended by Shell Chile's president was held, outlining project activities and participatory events where volunteering was possible.

○ A database of those who showed interest in participating was created.

○ Motivation continued throughout the project, using e-mail, bulletin boards and a newsletter.

○ Relevant information was sent to all volunteers to secure their involvement.

○ After the activities had been carried out, all volunteer employees received a thank-you letter signed by the president of the company.

It should be emphasized that it is central to the success of volunteer programs that the company encourage staff involvement by facilitating some free time for employees to participate, apart from the non-working hours that they are already volunteering. It is also appropriate to include engagement in volunteer activities as a criterion for personnel evaluation.

To bring the "two Chiles" mentioned earlier closer together—one part of the population leading lifestyles comparable to American or European standards, and the other hardly satisfying their basic needs—Shell employees were asked to conduct a door-to-door survey about the residents' ambitions. To facilitate the task, a young neighborhood resident accompanied each Shell volunteer.

In the four cases, the creation of 'social capital' was sought. All of the interventions built capacity among the targeted population (leadership; project design; conflict resolution; and the design, implementation and

evaluation of participatory community projects, using computers, among other elements). The evaluation was very satisfactory, as it showed how the four communities had later been able to undertake new projects that went beyond "*Manos Unidas.*"

Manos Unidas, A Multiple Stakeholder Process

The first decision to be made was where to work, a decision with various consequences:

In the **first version** (1997-1998: the Puente Alto municipal area; 496 families, $87,000), the work was done in a location where people had already been living for over 10 years, meaning that leadership was strong and people identified with the place.

The **second version** (1999-2000: the Maipú municipal area; 660 families, $29,000), was developed in a complex of recently occupied apartments, meaning that the neighbors did not know each other, and were still in shock from facing the reality of their "dream home:" 50-square meter apartments, poorly finished and highly overcrowded. Meanwhile, SOFOFA had mistakenly informed the neighbors that Shell would be building the green recreational areas, making it very difficult to engage them as volunteers. The second version of *Manos Unidas* was submitted to the Americas Fund for financing, to systematize the experience gained, compare it to the previous intervention in Puente Alto, and share lessons learned with other social organizations.[9] This brought in a supplemental $50,000 and gave greater visibility to the program, including a visit from former U.S. Secretary of State Madeline Albright.

In the **third version** (2001-2002: the Huechuraba municipality; 400 families, $33,000), the company had moved its corporate headquarters to that location and requested that the intervention take place nearby, but residents turned out to be divided into two irreconcilable political factions. Also, the traditional dwellers that lived in houses were very upset because the government had moved a group of people in extreme poverty and with "bad habits" to apartment buildings recently built in a location that had initially been allocated for green spaces. The *Manos Unidas* project was trapped in the middle of this battle and much energy was wasted trying to reconcile the different factions.

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[9] The Americas Fund (*Fondo de las Américas*) was created by the governments of the United States and Chile in the early 1990s, by reallocating some of the interest on Chile's foreign debt to funding projects to strengthen civil society.

In view of the difficulties arising in the second and third experiences, the fourth version was "anchored" in a disadvantaged elementary school (2003-2004: the Recoleta municipality; 396 students; US$27,000). This was a good choice that succeeded in getting teachers, students and parents to agree on the need to improve the school's infrastructure and educational potential.

In the first and second cases, a playground, a park and a sports field were built. The latter was handed over to an 'Advancement' Committee for its administration. The Committee currently rents the sports field out to the neighbors and uses the proceeds to pay for the maintenance of the park and the playground, and to undertake other community initiatives.

Due to budget restraints, the program had to be scaled down in its third and fourth versions. In the third version, a park was built; an educational campaign on sustainable waste management was developed; and a new component was introduced, a computing school, set up in a home for people with disabilities. The community received this initiative very well, embracing it as a work tool and as a way to enter modernity and globalization.

The fourth version included identifying a school that was relatively close to the company headquarters to facilitate the transportation of Shell volunteers, and that was in a poor condition, so that it would be possible to compare the "before" and "after" the effects of *Manos Unidas* program. Once the school was chosen, the work started by motivating the teachers in order to ensure their involvement. Engaging public school teachers to work in the program was a major challenge because curricular reform, low salaries and long working hours already overwhelmed them. The activities included joint design work, planting, replacing broken windows, improving the computer room, educational work with the children and outreach programs based on computing for the community. After a short time, the same teachers who had initially resisted the project apologized to the team and enthusiastically joined the program.

Everyone Is a Star

From the beginning, *Manos Unidas* was conceived as a joining of hands. The program joined disadvantaged residents eager to improve their quality of life, the Shell corporation—supplying funding, management skills and voluntary work—and Casa de la Paz, acting as a "hinge" between both groups and providing its experience in community work and environmental education. The program included a lot of silent, anonymous work, but it also had "participatory-playful-educational" landmarks, where the three

groups actually joined their hands to carry out concrete tasks. These moments were certainly the most appreciated by all parties, and were also used to give the program public visibility through the mass media; all participants hoped that the experience would 'rub off' on other companies, encouraging them to undertake similar initiatives. From this point of view, the program was the result of different types of capital contributions. Shell contributed its management capacities, its ability to involve other actors, such as their contractors; construction manpower; capacity building through training; and, evidently, a large part of the required funding. The community, in turn, contributed its convening capacity, its headquarters, plus food catering and manpower. The NGO contributed its experience in using social methodologies, its ability for interlocution, its know-how working with municipalities, and its ability to convene the media. And the municipality contributed visibility, machinery, equipment and the continuity of the project by providing irrigation of green spaces and collection of domestic solid waste, among others.

The team in charge of the first program quickly realized that a fourth hand was needed: the municipal government's. Because every version of the *Manos Unidas* program had a finishing date, it was necessary to accept that future sustainability or an exit strategy had to be achieved by linking up with the municipality. Local government officials were engaged from the beginning so that they could also take part in the decision-making, meet and validate the leaders, and make specific commitments: for example, to provide watering of the future green spaces and lighting for the sports fields.

The charisma of some of the social leaders was also a key factor in the program's success. In the first case, a 65-year-old housewife was capable of convening and motivating her neighbors, and bringing them into line every time it was necessary. In the fourth case, a computer teacher played this role, breaking down the prejudice and resistance of other teachers and the school principal. The work of community women was always decisive to overcome obstacles and fulfill the proposed goals. Male participation was marked—with few exceptions—by competition for power and an urge to be in the limelight, making the process difficult. In contrast, mothers' unselfish efforts to improve their children's living conditions always led to a willingness to overcome whatever obstacles emerged along the way.

On Shell's side, the program saw the change of three public affairs managers and three company presidents. However, all public affairs managers fully engaged in the program and the three presidents took an active part in the volunteer work, sending out a clear signal of the importance of the *Manos Unidas* program. Fortunately, some of the people who par-

ticipated in the four versions of *Manos Unidas* still work in the company and give testimony to their newer colleagues of the benefits of taking part in the program.

Bernardita Palavicino, a management assistant, for example, said:

My personal experience in Manos Unidas *has meant: feeling very responsible for the community that surrounds me; being caring and delicate in my attitude towards others, who lovingly agree to share with those of us who have different life experiences; giving love and affection without fear; and, above all, the meaning of giving generously. I felt a richer person sharing with those who have had different life experiences but have so much to teach us and putting the best of me in the project and especially knowing that, at the end of the road, I worked together with another being as my equal.*

Another great Shell collaborator, Marisol Correa, a financial analyst, said:

Participating in Manos Unidas *left in me a great love for others, and I felt that so much could be achieved with camaraderie, solidarity and a lot of spirit, together with a pair of arms and legs, and, at the same time, you could receive so much affection from people. I saw the smiles of the children of the Villas together with those of our own children, and I felt that there were no differences…they played while the parents worked together, planting trees and flowers, painting, and at the end of the day, we looked at each other and we felt a great dignity in our hearts, and the hope of continuing in this beautiful life that God has granted us."*

For Shell Chile's staff, *Manos Unidas* was an opportunity to put into practice other skills they could not always use at work. Likewise, developing new leadership, continuously working in teams, generating ideas to solve problems and face new challenges to benefit others has "made our employees much more valuable men and women to society," in the words of Carolina Lucaroni, current Public Affairs Manager.

Although Casa de la Paz also experienced some changes in its team through these years, the Foundation's president was always actively involved in the program and the multidisciplinary professional team that worked on each version of the project was very dedicated.

The professionals working on the current version of the project evaluated their progress as follows:

The Manos Unidas *program has meant tremendous personal and professional satisfaction to us as a Casa de la Paz team, because we can see that*

our work makes a concrete contribution towards improving the conditions of life of the beneficiary community. The spirit of the program effectively goes from mistrust to trust and from the individual to the collective, generating permanent linkages….conditions that are necessary to move forward in the construction of the kind of society that we aspire to live in.

Manos Unidas, A High-Impact Program

Community Strengthening

This initiative has involved the active work of the community at all stages of the project, from design to implementation. Residents, accompanied by Shell staff members, have worked hand in hand with Casa de la Paz professionals, helping create friendship and harmony, enriching all participants.

Residents have actively participated in: assessing the social and environmental situation; planning concrete improvement actions; identifying problems; and searching for possible solutions. The residents involved accept the challenge of implementing improvements and seeking supplementary funding. The community is empowered, and they feel they are equal partners in the project, capable of influencing decision-making.

Since the project was implemented the community has been able to face additional challenges. Among these were the construction of a community center, installing containers for residential domestic waste, eradicating micro-garbage dumps, paving streets, lighting common spaces, installing electric gates, metal railings, distributing toys and candy on Christmas, taking care of the maintenance of the green spaces after the end of the project, holding training workshops, sports championships and carrying out repairs. The "Committee for the Advancement of Villa Los Industriales" and the "Social, Cultural, Environmental and Sports Association of Villa La Farfana" were legally incorporated and continue to exist today. Thanks to their ongoing achievements, they are widely recognized by all residents of the 'villas' and by municipal officials.

Residents say the project improved the community's self-esteem, as well as their social life. They also say that since the project was carried out they receive more visitors in their homes, possibly due to the improved surroundings. They believe that the following aspects were strengthened by the project:

○   An organization was created to which the community can relate.

○   Capacity was built in the residents to manage other community improvement projects.

○ Participation was encouraged.

○ Trust was built among the involved neighbors, Casa de la Paz, the municipality and the company.

○ They got to know people at the company and at the NGO, and made friends with them.

○ A new leadership was fostered, and unsuspected individual potential was identified.

Impact on Casa de la Paz

For Casa de la Paz, *Manos Unidas* inaugurated an ongoing line of work, which currently accounts for seventy percent of its activities. The eight-year alliance with Shell, allowed Casa de la Paz to be recognized as an NGO expert in corporate-community relations in the context of corporate social responsibility, an issue that has gained great importance in the country today. In fact, when companies approach Casa de la Paz, they express their interest by saying that they need a "*Manos Unidas.*"

The program and its ongoing relationship with Shell has allowed Casa de la Paz to become familiar with corporate culture and to value different work styles and policies. In the context of lessons learned, Casa de la Paz asserts that the only formula in corporate-community relations is that there are no formulas, and that each project should be designed in accordance with each community's particular features. Notwithstanding, Casa de la Paz has identified some clues to success and a number of recommendations, and has systematically shared them with other civil society organizations. In summary, these are:

The community:

○ Interactions flow more easily in communities that are better organized, and whose leaders are validated, recognized and well trained.

○ It is important to invite everyone to design the project together from the start, and to follow up on decisions.

○ Considering that communities are generally divided, it is important to set up an ad hoc committee to create a new place for joint work involving everyone.

○ It is necessary to build a sense of community among the participants, no matter what their specific role is.

○ As a high-risk group, young people should be invited to take part in the project on preferential terms, thus turning a "threat" into an "opportunity."

The internal atmosphere:

○ If there is mistrust at the beginning, it is convenient to count on an organization that can act as a 'hinge'.

○ Trust is built by a process of knowing, listening and respecting each other, and by fulfilling agreements.

○ A key to building trust is transparency in the use of resources and in the criteria that influence decision making.

Alliances:

○ It is most important to build a "we:" common goals with different roles.

○ It is necessary to move forward, from paternalistic social aid that generates dependency to partnerships among diverse peers.

○ It is important to grant equal value to the different types of contributions: financial, methodological, pertaining to relations, labor and infrastructure, among others.

○ It is necessary to deal with each of the actors' expectations.

Design:

○ Connecting an intervention based on corporate social responsibility to public policy (local, regional or national) facilitates the continuity of the process.

○ The time spent on diagnosing the initial situation is largely compensated during the development of the project.

○ There are diverse views, roles and interests within a community. This is why it is important to start by identifying and prioritizing problems and opportunities in a participatory fashion.

○ The component most highly valued by the participants is the creation of capacity in a community, and it is also the most fruitful once the intervention has ended.

○ To maintain the participants' interest, community interventions must consider concrete, visible results: showing a "before" and "after."

○ It is convenient to work in communities with precise physical bor-
    ders, to achieve identification with the project.

○ Environmental education and the new information and communica-
    tion technologies are powerful tools to engage the community.

The process:

○ Social processes have their own rhythm, which must be respected.

○ Social processes cannot be predicted, so plans must always be open
    to redesign.

Impact on Shell

The company's initial drive considered employee engagement as a moti-
vational tool, and to encourage employees to mix with the community.
The following is the company's evaluation of this matter, after four edi-
tions of the program:[10]

○ Staff motivation has improved.

○ Staff shows more loyalty and commitment to the company.

○ Internal communication has improved.

○ New abilities were developed.

○ New leaders were identified.

○ Teamwork was fostered.

○ A "Shell" corporate culture was promoted.

For Javier Cox, the company's representative in the first two cases, the
most important part of the project was not its physical products; rather,
"the most important result of this intervention was building social capi-
tal; we shared together as equals, thus contributing to build trust among
the partners, putting Shell and community people—coming from worlds
that don't usually have spontaneous opportunities to mix—in contact."

Shell staff became actively involved in each version of the program
throughout its different stages. Company volunteers contributed an ac-
cumulated a total 942 hours, distributed as follows:[11]

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[10] The responsibility for the design, implementation, follow-up and evaluation of the program
within Shell Chile always fell to the External Affairs Manager.

[11] Seventy percent of Shell volunteers were male, since women who work full-time tend to dedi-
cate their free time to their family and other chores.

○   Play-educational-construction events: an average three events took place during each of the three programs, with the active involvement of 42 company volunteers.

○   Tutoring computer lessons: only during the third version. Six volunteers contributed an average 10 hours each (total: 60 hours).

It is also interesting to highlight that some spontaneous initiatives emerged from Shell employees towards the communities where they were working, such as collecting toys for Christmas, and bed linen and food after severe flooding.

Impact on the NGO-Company-Municipality-Community Alliance

Although the relations between the NGO and the company were initially marked by ignorance and distrust, it soon became clear that providing the funding did not mean holding power; the NGO was not just another contractor who would do whatever the company decided, but a facilitator of the relations between the different actors; and the community was not a "beneficiary," but a full participant. Shortly, the advantages of working as allies became clear:

○   **More resources.** Each partner contributed its own "capital:" labor, contacts, machinery or financial resources, generating a more complex project, with larger impact.

○   **More expertise.** Every actor has different abilities in different areas. The company provides modern management concepts; the NGO contributes social methodologies; the municipality provides infrastructure, equipment and future support to the community; residents contribute their local knowledge.

○   **More credibility.** Because the company approached the community and the municipality hand-in-hand with a well-established NGO, people's distrust was reduced and doors more easily opened.

○   **More visibility.** The press showed higher interest in the program because a consortium of partners generated it. Purely corporate projects are generally perceived as public relations operations.

○   **More employee engagement.** Company workers came into contact with different kinds of people.

○   **More impact.** All the above-mentioned factors amplified the results of the project.

However, there were also some difficulties in the alliance-building work resulting from differences in culture, values and language:

○ **Roles:** these were not always clearly defined for each actor, creating unnecessary frictions.

○ **Common goals:** sometimes, the members of the alliance had different objectives. If this is not agreed upon from the beginning, there could be some imbalance.

○ **Different expectations:** different results are often expected, particularly in the short term.

○ **Indicators of success:** the criteria for satisfaction may not be identical; therefore, it is necessary to set them explicitly in advance. The company frequently evaluates processes with different quality standards. The presence of members of the press at an event may be highly appreciated by one of the actors, while the other will value the quality of the content. NGOs are not very experienced in measuring the impact of their actions and it is difficult to pin down the cause and effect of achievements and setbacks.

○ **Different decision-making processes:** the rhythm and spaces for consultation often differ among partners.

○ **Management of power:** the part providing the financial resources generally assumes that it has the power to prevail over others, which is a mistake, especially considering that non-financial resources contributed by the other partners should have similar weight.

○ **Difficulties in relations.** There is often distrust on both sides. Company people believe they know it all, and third sector people tend to think that only they can understand.

Difficulties As Opportunities to Create

Youth: Danger and Opportunity

In the first three cases, young teenagers represented a big challenge: if they could not be integrated into the program, they would probably end up destroying the green recreational areas and urban equipment. In each of the projects, they were identified at the beginning, and invited to become involved in the design, implementation and maintenance of the works. In one case, a sculptor was hired to work with youths, interpreting their dreams and frustrations in a large sculpture built out of metal scrap. It was

erected in the very spot where young people usually gathered, becoming a reminder of their commitment to care for their achievement permanently. And so they have: six years later, the sculpture remains in place, only that now it is decorated with poetry written by the same young people.

The "Window Syndrome"

During the second version of the program, the families involved lived in apartment buildings that had poor acoustic insulation and stood very close to each other, so the neighbors preferred not to mix. "They knew too much about each other" to dare to look into each other's eyes the next morning. That is why at the beginning, the Casa de la Paz team made great efforts to call for participation using drumming brigades (*batucadas*), megaphones and distributing invitations door-to-door. However, they only dared to glance shyly out their windows, hardly pulling back the curtains, which explains the name of this "syndrome." In order to overcome this, small, evening meetings were organized in the apartments of some of the most engaged neighbors as a way to facilitate their getting to know each other and building ties of respect, collaboration and trust among them.

Social Climbing

The introduction of a consumer society was clearly affecting the ambitions of young families, most of whom aspire to become associated with others with higher purchasing power. "I don't even know my neighbors," "I don't let my children play with the other kids," or "People with other habits have arrived," are comments that reveal this. This became so ridiculous that, when the advisability of building a sports field was put forward, some of them argued that they did not play soccer (a popular sport), but rather tennis (an 'elite' sport); and they requested that the green recreational areas include parking spaces for their cars, although they did not own one. They clearly did not want to be perceived as recipients of welfare, in spite of the fact that they were poor.

It is necessary to recognize that NGOs are more experienced in working with low-income communities than with these young, ascending groups, who feel part of modernity and aspire to be a part of the consumer society. Their values are associated to the prevailing economic model: "you are more if you have more;" or "being successful is consuming more." The interest of these groups in improving their economic conditions and the energy that they put into it are a threat that can be turned into an oppor-

tunity, to the extent that they "move to get ahead " and reject paternalistic actions. Achieving concrete and successful results in this area will gradually lead them to internalize the value of teamwork, solidarity, friendship and respect, so central to the growth of any community.

Conflict Resolution

On several occasions, Casa de la Paz has had to solve conflicts between neighbors. The most dramatic incident occurred during the second version, when the Casa de la Paz team confirmed the neighbors' unwillingness to provide voluntary work because SOFOFA had presented the project as the company's obligation to them. Construction activities were suspended for two months, during which time Casa de la Paz worked intensely with the community to empower them and get them to recognize their own abilities. This made it possible to re-establish relations with Shell, negotiating their contribution to the project and resuming the program. The result was a new strategy to approach this community, which gave priority to strengthening community organizations.

A set of tools was then produced, including a negotiating table between the active leaders of the Villa and an executive representative from Shell; a seminar on teamwork, attended by residents of the Villa, Shell staff and Casa de la Paz professionals; and a training course on leadership and conflict resolution for leaders.

These activities aimed, on one hand, to explicitly establish the community's engagement in response to Shell's contribution; and on the other, to create among those most motivated a sense of being part of a team, capable of setting common, challenging goals and achieving them successfully. The perspective was to transfer and develop capacity in that group to turn it into the driving force for community development in the Villa.

On the third occasion, the struggle was between older residents, who occupied houses, and the newly arrived ones, who lived in the apartment buildings. In this case, the methodology included numerous meetings seeking to build a common goal, pushing aside personal quarrels and ideological differences, although this situation could not be overcome for the entire duration of the project.

The "Booty"

Whenever a project includes transferring material goods to the community, caution must be exercised to reach consensus on how it is transferred. If not, it can trigger divisions and distrust. During the second version, the

rental of the sports field generated a monthly income of approximately $40 and a senior citizen was hired to open and close the premises, and to sweep and maintain the green areas. This led to many disputes among the residents over the administration of the field. A home for people with disabilities was involved in the third version of the program, and its premises were used to set up a computer school, with machines that had become obsolete for Shell. This introduced people with disabilities to the community, which had not been the case before, while providing the former with a powerful work tool. Deep political divisions split the neighbors and there were mutual accusations regarding the final destination of the computer equipment, even though Casa de la Paz had tirelessly clarified that it would not be given to individuals but to a community authority. The episode ended with the priest in charge of the home moving the computers to another location.

Transparency

Casa de la Paz made a point of informing widely on the use of economic resources and of contributions from the company, the municipality, and residents. Nonetheless, in some cases doubts lingered as to whether some residents had received a salary for their engagement in the project (which was evidently not the case), highlighting the need to be extremely clear about this matter. It was also strongly emphasized that the community should manage the project's time and resources, so that everyone was aware of the expectations from the beginning.

"Machismo"

Chile is full of male chauvinism, although this social trait is fortunately retreating.[12] Social organizations show large male participation at the leadership and decision-making levels, but the actual work at the grassroots is done mostly by women. In the case of "*Manos Unidas*," women often found that their male partners were opposed to their involvement in collective activities, even before 6 p.m., allowing them

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[12] Currently, the access of girls' access to education is equivalent to that of boys, and more girls apply for higher education than males. But regrettably, when entering the workforce, women's income is 30 percent lower than men's (Survey by the National Statistics Institute,1999); public participation is still unequal, although women elected to local positions of power have increased from 13 percent in 1992 to 17 percent in 2000, and there are now two female pre-candidates for the Presidency leading opinion polls. In fact, 90 percent of Casa de la Paz professionals are women and in Shell, the female component represents 24 percent of the workforce.

to be back home by the time their spouses returned from work. Many were forced to disguise their reasons for being away from home, to the extreme that the woman who acted as the community spokesperson at the inaugural event of the second project was later brutally beaten by her husband when seven months pregnant. This disgraceful act was explained by the jealousy he felt for the leadership role she had achieved. Male chauvinism was more frequent in young couples, possibly because the women were less rebellious; older women seemed to have achieved their autonomy.

Manos Unidas: A Source of Multiple Lessons

About the Community

○ To build a sense of community, it is important that people identify with their neighborhood; therefore, it is appropriate to work in locations with well-defined physical borders.

○ It is key to conduct an "age group census," since activities should be designed according to groups' ages. When young children and teenagers coexist, the "age group demonstration effect" can be used to get the younger ones enthusiastic and eager to imitate the older groups. Youths can act as instructors for smaller children. When they take on responsibility, their self-esteem increases, and they tend to fulfill their obligations completely.

○ Owning a home is a great motivation to take part in projects to improve the environment. However, many of the younger couples in the project had technical studies and felt that they were "on the rise" in the labor force. Thus, they did not feel motivated to participate in the community.

○ Young couples dedicate a large part of their time to family life and work, making their social involvement difficult. The presence of small children also makes it harder for mothers to participate, unless childcare is previously addressed.

○ Women over 40 years of age played a leading role in all versions of the project. We believe that this was because many of them: have "overcome male chauvinism"; persevere more in social work; display greater social capital, a validated and consolidated leadership and greater experience; and do not have to care for small children or work away from home.

○ The fewer opportunities there are for meeting or gathering, the less chances there will be of getting to know each other and share; therefore, there will be more indifference, mistrust, and individualism.

○ Construction events are an excellent opportunity to strengthen social networking in a community because they are moments of great turnout, where teamwork is done in a cheerful atmosphere and concrete improvements are achieved in a very short time. Due to these conditions, an informal space is created for gathering and sharing among people who, in many cases, have not met or hardly identify each other, and who –because they have taken part in achieving results collectively- then perceive the improvements as common achievements. This way, they develop greater identification with the public spaces themselves, as well as with the people with whom they interacted. At the same time, they are a valuable channel of communication between the most participative individuals and those who engage less, because in these moments, the former can show what they are doing and captivate others to join in the work; and the latter can gradually become involved, with less exposure, doing specific tasks, limited in time. It is important to point out the need to ensure a festive atmosphere during these events (with music, animation, theater, and so on) to favor a more receptive attitude to educational messages in the participants.

○ The local square became a space for collective creation, where art played a dignifying role for the neighbors. The second case included participatory painting of a mural; in the third, the neighborhood women learned the technique of mosaic building, capturing their creative skills in the design and construction of the bench coverings.

○ Computing is a good 'hook' to attract the community and encourage corporate volunteer work. Neighbors view it as a work tool, and Shell workers have no doubts about their ability to help others using this instrument.

About the Company's Involvement

○ Corporate volunteer programs should start at the top of the company and permeate to the entire staff from there.

○ The criteria for assigning staff bonuses should include the success of corporate social responsibility activities.

○ In the opinion of Javier Cox, who led the first and second versions of the project on the company's behalf, the project is really born once the community begins to trust Shell.

○ For Carolina Lucaroni, Shell's Public Affairs Manager during the third and fourth versions, building alliances with others is a central component of social responsibility policy. She points out that the most difficult issue is bringing in the municipal government or other government authorities.

○ For corporate volunteering, it is important to become involved in communities where poverty "hurts." During the second intervention, the apartment buildings had been recently built and looked quite good, in spite of their true precariousness and overcrowding. This led some of the lower-income workers at Shell to question why we were not helping them instead.

○ The physical proximity of the company premises to the area where the third and fourth projects were carried out facilitated the involvement of Shell volunteers, making it possible for them to drop by before or after work to make specific contributions.

○ The success of promoting the volunteer program among Shell staff can be partly explained by their being offered a set of choices, so that each individual could decide how to engage, in line with their own vocation and availability. The volunteers were assigned very specific roles, making them feel satisfied that they had made a true contribution.

○ Assuming that modern-life relations are permeated by pragmatism and individualism, Casa de la Paz pays great attention to details, so that all participants can have an "emotional experience" that will touch their hearts.

About Local Government

○ To strengthen and sustain future social responsibility initiatives, these should be associated with public policy, in this case, the municipality or the local school. Likewise, projects should not start from scratch, but rather, they should fit into a pre-existing initiative, to guarantee the genuine engagement of the community and that the project will not collapse once the funding has ended.

○ Residential solid waste management is a strongly felt issue among residents, but the municipality must commit itself to its proper disposal.

The same is true of green spaces, which need guaranteed watering and maintenance.

○   It is key to put the project in touch with the municipality from the beginning in order to prepare an "exit strategy."

About Communication

It is necessary to make systematic efforts to distribute information within the program and to the media.

○   It is not easy for the community to understand why a corporation joins in an alliance with them; the tendency is to be suspicious. In this case, for example, there was speculation in the community about the company wanting to set up a service station in the neighborhood. Moreover, *Manos Unidas* is a complex program made up of many parts. That is why it is necessary to use newsletters, door-to-door fly-ers, bulletin boards, megaphones, letters, posters or any other media to make sure that the program is well understood by the involved population, leaving no space for rumors which are difficult to dispel once they get started.

○   The mass media in Chile have increasingly allocated space to news on social responsibility. To get good press coverage it was important to have visually attractive images and to present the news in an origi-nal way. Another successful communication strategy was to embody project achievements in a representative of the community who could communicate impacts with great credibility. On the numerous occa-sions when Casa de la Paz or Shell had the chance to disseminate the program, a local leader was invited to present it.

In conclusion, the case of *Manos Unidas* illustrates the evolution that Chilean society has experienced in the last eight years, from the perspec-tive of a community, the work of an NGO and the commitment of a com-pany to corporate social responsibility.

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A School-Based Recycling Program Becomes a Business Opportunity for a Company and Local Communities in Venezuela

By Audra Jones

The Chavez Factor: Communities as an Untapped Resource

President Hugo Chavez has become emblematic for defining the new importance of politics in Venezuela. Leading the call for a populist revolution; Chavez has brought significant attention to Venezuela's political process as well as to its poor population. Whether one considers his policies as favorable or not, Chavez is responsible for a significant social awakening among historically apathetic Venezuelans of all classes. Chavez has created strong social and political movements both in favor of his administration and against it. As part of this process, for the first time low-income communities are being recognized and told they have a voice in society. However, the Chavez era has also been fraught with economic malaise. As a result of the 2001-2002 strikes, more than 50,000 businesses in Caracas were bankrupted. Furthermore, foreign direct investment has been slowed as investors wait to see the result of the Venezuelan referendum and election processes later this year.

Now facing a completely new economic and social horizon, the Venezuelan private sector is beginning to realize the strategic importance of Corporate Social Responsibility (CSR) programs in local communities, not only to create a positive corporate image, but for their own businesses' survival. With over 70 percent of Venezuelans classified as poor, corporations that depend on national sales are forced to consider new strategies to stay in business (UNDP 2000).

In this context, Manpa, S.A., (Manpa) Venezuela's leading national paper manufacturer has an innovative program to establish a sustainable network of community-led recycling programs. The *Papyrus Program* began as an offshoot of the philanthropic efforts of Manpa's founding family, the Delfinos. Today the program has evolved with the potential to be a strategic business alliance for the company and a source of direct benefits

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Audra Jones is Venezuela's Foundation Represetative for the Inter-American Foundation

for participating low-income Venezuelans. Its success lies in its direct integration of communities from start to finish in program design and implementation; its ability to establish and maintain strategic alliances in an extremely difficult political climate; and its blend of responsiveness to the particulars of program implementation in each community combined with its loyalty to mission and methodology. The case suggests that, with enlightened self-interest, corporations working in even the most difficult political and economic conditions can develop successful community CSR programs that are good for business and for the community.

Venezuela and Corporate Social Responsibility

Throughout the first part of the twentieth century, Venezuela was an economic, social and cultural leader in South America. Due to a rich history of oil production and strong foreign direct investment, Venezuela was also an early leader in corporate philanthropy. To understand the evolution of CSR in Venezuela, it is useful to quickly review the political and economic evolution that created a strong culture of paternalism towards local communities in the country.

In sync with the global industrial revolution, Venezuela evolved significant industries, including petroleum, in the first three decades of the twentieth century. This was coupled with a new constitution in 1936, at the end of the Gomez dictatorship, setting Venezuela on a path of strong economic development. Venezuela boasted significant foreign direct investment particularly from the United States. In fact, throughout the 1960s an average of 25 percent of the United States' foreign direct investment in Latin America went to Venezuela (Mendez 2003).

Among the first foreigners to do business in Venezuela was Nelson Rockefeller, who took a substantial position in the agro-industry sector through Fomento Venezuela, which included Monte Sacro, S.A., and Desarrollo Agricola, S.A. Rockefeller's influence was not limited to business development (Mendez 2003). He had significant influence on Venezuela's business elite, promoting sound labor practices as well as philanthropy, following his experience in the United States in the 1920s.

At that time, the most recognized national leader in Venezuela's burgeoning philanthropy was Eugenio Mendoza, who looked to improve the lives of workers and eventually to meet society's needs by establishing foundations and other forms of corporate philanthropy. In 1942, a group of Venezuelan's businessmen, including Mendoza, established Venezuela's first foundation, the Venezuelan Foundation against Infant Paralysis, which established a hospital focused on prevention of the dis-

ease and treatment of children with polio (Mendez 2003). Other foundations supporting corporate philanthropy later evolved, some of which went on to serve as models for the private sector in other countries: for example, the Dividendo Voluntario served as the model for the Philippine Business for Social Progress (1969) and the Dividendo por Colombia (1998) (Mendez 2003).

Venezuelan CSR Today

Despite a strong economic downturn since 2000, Venezuela is still a country rich in corporate foundations. However, its former leading role in philanthropy has since been lost to other countries in the region. A strong history of government paternalism and interventionist policies towards the private sector has arguably resulted in a mostly top-down philosophy in corporate giving programs. On several occasions, the government has showed reduced interest in foreign investment, moving towards a more state-centered economy. The result has been a diminished tax base and centralization of the economy and related social services, creating a culture of state dependency. It was not until the early 1990s that the government began to look more closely at non-governmental organizations to support social programs. With little more than a decade of autonomy, the Chavez government is again looking to take a more significant role in social services through programs like "the Missions," which provides vocational education.

In terms of CSR in the communities, Venezuela has been a slow mover in Latin America. Again, in large part due to a disproportionately wealthy oil sector, CSR has been slow to develop beyond patronage. Focusing on external giving programs, Venezuelan corporations have a more traditional, philanthropic strategy based on improving corporate image. Until recently, outside the extractive industries, very little has been seen of the more progressive concept of social investment that emphasizes activities more strategic than altruistic donations. But now, with the current political and economic crises facing Venezuela, the concept of CSR in local communities has become a business basic and is seen increasingly as a strategically sound investment for corporations.

From Family Values to CSR: The Delfino Family Foundation

Among the businessmen leading Venezuelan industrial development in the early twentieth century was Carlos Delfino. In 1916, Delfino purchased 75 percent of Fábrica Nacional de Cementos de la Vega. After working in cement, Delfino continued to acquire other businesses including Manpa

in 1950. Today, the companies within the Delfino Enterprise Group are under the umbrella of Manpa C.A., with the majority held by members of the Delfino Family (Castillo 1999).

In terms of CSR, two events were significant in the life of the Delfino family, ultimately leading to Manpa's community-based *Papyrus Program*. The first was Carlos Delfino's marriage to Josefa Gomez, the daughter of the Venezuelan dictator. After Carlos died, Josefa now a childless widow facing exile after the fall of her father's dictatorship, took the first step to formalize what was to become the Delfino family's legacy in working with local communities. Josefita, as she was fondly known, donated her home to become a school for under-privileged girls. In conjunction with the Salesian nuns, the school continues to be a landmark in Venezuelan education, directed exclusively at under-privileged girls in the La Vega area. Josefita went on to donate her shares in Cementos la Vega to endow the family Carlos Delfino Foundation. Today, the school continues and is administered by the Carlos Delfino Foundation (Castillo 1999).

The other remarkable event in the Delfino family's life, as it relates to their legacy in CSR, was the acquisition of Cementos de la Vega (Fabrica de Cementos) by Carlos Delfino. In the early twentieth century, la Vega was the center for industrial development in the area outside Caracas. Like other early industrialists in the 1920s, Carlos Delfino made his best effort to meet some of the workers' basic needs, establishing a community center and medical dispensary in La Vega (Mendez 2003). Concerned with maintaining a qualified stream of workers for Cementos La Vega and other business concerns, Delfino also established education programs for his workers. Without knowing it, Delfino had established a solid and integrated CSR program as he met his internal corporate human resource needs by providing education for the future work force, while also addressing his broader commitment to society by establishing a cultural center and medical dispensary. His legacy became the Carlos Delfino Foundation.

The Carlos Delfino Foundation

After over 50 years in operation, the Carlos Delfino Foundation continues to provide students with useful tools to help them join the labor force. The Foundation's current president, Carlos Delfino T., says the Foundation's mission is to provide low-income students with tools that will make them successful in an increasingly complicated society.

Inspired by the vision of Josefita Gomez de Delfino, in 1947 the Carlos Delfino Foundation formally established the Colegio Fundacion Carlos Delfino in the La Vega Parroguia, in Caracas. A school dedicated to

educating under-privileged girls, the Colegio has graduated over 19,000 girls to date—an average of 600 a year. The Colegio also extends its physical infrastructure to the local community for educational and extracurricular activities (Castillo 1999).

Fifty years later, in 1997, the Carlos Delfino Foundation in conjunction with the Instituto Hijas de Maria Auxiladora, established the Escuela Tecnica Popular Maria Auxilidora, in Caracas. The school provides vocational education for up to 80 under-privileged girls annually. Course work in computers and office administration is offered for over three years and graduates receive an officially recognized degree allowing them to immediately enter the workforce.

Despite troubled economic times in Venezuela, the Carlos Delfino Foundation operates these programs thanks to its strategic financing structure, a trust funded with Josefita Gomez de Delfino's shares in Cementos de La Vega. The Foundation is financially autonomous, but its Board of Directors is a careful balance of members of Manpa S.A. and the Delfino family. Carlos Delfino T. makes it clear that this is a family foundation, not a corporate one. With a strong family legacy of supporting lower-income communities, the Delfino Enterprise Group's challenge was to translate these values into their business.

Evolution of CSR in Manpa and the Delfino Enterprise Group

Established in 1950 to produce the paper bags needed by Cementos de la Vega, Manpa quickly evolved to produce paper for printing, writing, and industrial and commercial products. In the early 1990s, Manpa underwent a major reorganization, incorporating some of the affiliated family companies as strategic business lines and selling off Cementos de la Vega. Manpa continues to be Venezuela's leading national paper manufacturer, generating products for writing, printing, packaging and hygiene. Manpa's vertical integration strategy runs from raw material production to final points of sale. Manpa and the Delfino Enterprise Group continue to be primarily owned and operated by the Delfino family (Castillo 1999).

In 1988, the Delfino Enterprise Group established an office for Corporate Communications and Public Relations in an effort to consolidate the Group's public image. In 1991, Beatriz Febres-Cordero took responsibility for the department's three-fold mission: promoting corporate communications; emitting a positive corporate image; and promoting activities that contribute to the improvement and general well-being of society. With the arrival of Febres-Cordero, the Delfino Enterprise Group and particularly Manpa were beginning to take a more formal approach

to CSR and beginning to link these initiatives to the local community through education.

Among the challenges Febres-Cordero faced was developing a coherent strategy for such disparate industries within the Delfino Enterprise Group: paper, construction and forestry. In terms of any CSR strategy towards local communities, Febres-Cordero found most solicitations for funding received by Manpa were funneled to the Carlos Delfino Foundation for consideration despite the Delfino family's interest in keeping corporate and family giving separate.

In 1992, Febres-Cordero proposed a common definition for the Group's CSR—*El Modelo de Accion Social* (Social Action Model)—taking into account the group's natural link to promoting environmental accountability and the Delfino family's historical commitment to community, and to education in particular. As part of this new strategy, Manpa's first community education project was "This is how to make paper." More than 800 students participated in the program, culminating with a Congress entitled "Recycling as an Option for the Future," where students learned the paper production process with an emphasis on the Delfino Group's recycling and sustainability strategy for its paper and forestry businesses. The project resulted in a publication for school-aged children describing a school-recycling program. Febres-Cordero's department also established an inter-corporate newsletter to promote communication among staff. Over time, the department promoted the use of 100 percent recycled paper in all of its publications and advertising.

In establishing the Corporate Communications and Public Relations office, the Delfino Enterprise Group formalized its corporate commitment to community relations. Furthermore, by hiring Febres-Cordero—a sociologist, not a public relations professional—the corporation committed itself further to community relations (Castillo 1999).

The Papyrus Program and the Papyrus Foundation

In 1994, the Papyrus Program spearheaded a school-based, community CSR initiative in 21 schools in Aragua, Venezuela. Based on the success of the program's methodology in training teachers and students in community recycling, the program was expanded in 1995 to include schools in two more states, Nueva Esparta and Carabobo, as well as the Capital District, Caracas. After just two years of program activities, the Papyrus Program had spread to 107 schools in Venezuela.

Febres-Cordero worked with Papyrus staff to assess the strengths and weakness of the program's methodology and helped Manpa establish a

methodology for the program called the Papyrus Action Model, a three-year system to create sustainable recycling education and collection programs. The Action Model targeted not only schools but also individuals and corporate partners (Castillo 1999).

At the same time Manpa consolidated the Papyrus Action Model, statistics demonstrated that the Program was not only feasible but also much needed. Primary and secondary education in Venezuela between 1998 and 2000 was on the downturn. Although Venezuela had once been considered an education-focused country, during that two year time period more than 44 percent of Venezuela's youths were excluded from the formal education system. Of those that did attend school 69 percent were likely to drop out before completing high school. Concurrently, poverty in Venezuela in 1998 was calculated to affect up to 67 percent of the households. More than 90 percent of the population was living in urban areas with little or no continued urban planning. It is no surprise that the 260Kg of garbage produced by each Venezuelan annually was becoming a public health and environmental problem. In sum, Venezuela was increasingly poor, under-educated and over-urbanized (UNDP 2000). These demographics coupled with a historical culture of dependence fostered by an oil-rich government left many Venezuelans ill-equipped to take leadership roles in society, particularly amongst communities of lower-income. With such challenges, the Papyrus Program presented an excellent strategy to support communities.

In 1999, Manpa identified both its commitment to recycling in communities and the need in Venezuelan society for a recycling program. The time had arrived for the Group to make a formal commitment to recycling through its CSR program. Febres-Cordero recommended establishing the Papyrus Foundation, an independent, not-for-profit organization dedicated to fostering greater understanding of environmental conservation in communities, schools and business. The Foundation adopted the Papyrus Program and was eager to implement it in various low-income communities. With co-funding from the Inter-American Foundation (IAF) and Venezuela's state-owned oil company, PDVSA, the Papyrus Foundation was awarded a three-year grant to implement its school-based Papyrus Action Model recycling programs in 120 secondary schools in the states of Aragua, Falcon, Zulia and the Capital District, Caracas.

Specifically, the Papyrus Action Model envisioned a three-phase process that included program development and implementation, consolidation and sustainability. Phase One identifies and incorporates individual partner schools and subsequent team building and training. Phase Two

consolidates the Papyrus Program into each school, adapted to the unique characteristics of that school. Phase Three requires that the Program be turned over to the partner school to continue its implementation, expansion and strategic alliance development where appropriate.

The project funded by IAF and PDVSA was designed to benefit 90,000 students and 120 teachers working with the low-income population in four regions of Venezuela. In addition, the project set a goal of collecting 800 metric tons of materials. To ensure its technical success, the Papyrus Foundation selected a strategic partner to undertake the program, the Center for Continued Experimental Learning at the University of Simon Rodríguez (CEPAP-UESR). This partnership has been of critical importance to the Program throughout as the Center has been able to support curriculum development, program evaluation and educational certification for teachers trained in the Papyrus Program methodology. Other partners were and continue to be incorporated in response to the needs of each partner school.

Program Methodology

Under Phase One, a participating school is selected and a project coordination team is formed. The team is composed of 3 to 5 teachers per school, one elected community leader and as many students as feasible. Teachers are the program multipliers as they continue to teach other teachers over the life of the program. Each coordination team is trained to evaluate the environmental conditions at its school and in the surrounding neighborhood to determine the baseline conditions for a community-recycling program. In addition, the coordination team recruits and trains student participants to act as primary collectors by bringing recyclable materials from their homes and neighborhood. Each partner school donates specific space and resources for the recycling program on the school premises.

Under Phase Two, the Papyrus Foundation works closely with the project coordination team to consolidate training and program activities. Teams also work to incorporate a program evaluation component. Finally, at this phase in the Papyrus Action Model, many key partnerships are established with local actors to ensure each partner school's program sustainability.

Under Phase Three, each implementing partner school is prepared to take full responsibility for the Papyrus Program in its community. Final program evaluations are conducted, results are disseminated and project plans developed for continued implementation. Teachers who underwent

training are awarded a certificate from CEPAP-UESR for professional environmental education coursework (Castillo 1999).

Program Results

Armed with the IAF's evaluation system, the Grassroots Development Framework, the Papyrus Foundation is able to measure tangible and intangible project results. To date, results are extremely encouraging. The Papyrus Foundation has directly benefited over 85,000 low-income community members through the acquisition of new skills. Over 20,000 households are participating in neighborhood recycling programs, established by families as a result of their child's participation in the school program. Additionally, over 120 schools have been able to raise money by selling recycled materials and invest in infrastructure improvements to classrooms. Over 220 teachers have been trained in the Papyrus Action Model. An average of 60,000 tons of paper has been collected each school year.

While the tangible results of the project are certainly noteworthy, even more interesting are the intangible effects of the program on local communities (Fundación Papyrus. Informe de Gestión Enero 2004). Program participants have spoken of increased self-esteem and sense of leadership. Strategic partnerships with local governments have been established. Children who previously exhibited low self-esteem now have an increased sense of belonging to a community-wide program. The following paragraphs offer additional examples of the results that have been demonstrated in partner schools in Maracay, Aragua.

Pulic School UE Leticia Mudana de Lopez—Maracay, Aragua.
Located in the center of one of Venezuela's leading industrial centers, Maracay, UE Leticia Mudana de López has received support from other local government programs and has an unusually updated infrastructure for a school attended by lower-income children. UE Leticia Mudana de López has been a leader in the Papyrus Program. One of its most notable accomplishments has been the creation of a reserve fund that is used to finance needed infrastructure, office materials, cleaning supplies and even funds for graduation ceremonies. The school has been able to create the fund thanks to the income it has generated through selling recycled materials. In the 2001-2002 school year, it generated Bs 200.000 ($120) and in 2002-2003, Bs 130.000 ($75). The school has established a series of local partnerships to include ones with the Neighbor Association, the Church and the local police station. These relationships have allowed the

school to extend the Papyrus Program within the community (Fundación Papyrus. Informe de Gestión. Enero 2004).

Public School UE Lucas Guillermo Castillo—Maracay, Aragua

Also in Maracay, UE Lucas Guillermo Castillo educates predominately low-income children. One of the primary problems facing these youths according the Papyrus Program coordinator and 6th grade teacher, Yuraima Marin, are health problems associated with children playing in areas with high concentrations of trash. As a result of the Papyrus Program, the school has been able to detect a decrease of 40 percent in illnesses among the school's student body. The school has also been successful in generating local partnerships. It has worked with the local neighborhood association to construct a partnership with the Simon Bolivar Ecological Park to plant trees; and with the National Tobacco Company to provide the school with plastic tubs for collecting recycled materials. It has also established a relationship with a local university (Universidad Nacional Abierta) to provide paper for recycling. While the program has been going on for over four years, changes in leadership have meant continual reinforcement of the Papyrus Program mission and methodology from trained project coordination team members. (Papyrus Foundation. Management Report, January 2004).

UE Olinto Mora Marquez Public School—Maracay, Aragua

UE Olinto Mora Marquez has an interesting history, as it initially held preschool classes in one of its teacher's homes. Over time, with help from local business, the school has established adequate infrastructure of its own; and as a result of participating in the Papyrus Program, it has its first environmental education program. For schoolteacher Yrma Leida Parra, the most important result of the Papyrus Program has been the transfer of information from the trained teachers to the rest of the school. As a result of the program and cross-class training, the school has created a series of teams, each dealing with a different environmental issue, including collecting and selling recyclable materials, a local garden, and sanitation team. (Papyrus Foundation. Management Report, January 2004).

Elizabeth Romero, Papyrus Program coordinator for the Papyrus Foundation says the program has directly improved the lives of program participants and their families, beyond training promoters in each school in recycling techniques. An evaluation of 69 teachers trained to become in-school program coordinators indicated that not only have the teachers increased their knowledge of environmental issues, but also that the program has taught them how to become leaders and solve problems more

readily (MDB Report, April 2003). In a politically and economically fragile country like Venezuela, leadership and problem solving are invaluable resources for low-income communities, which suffer disproportionately from community-based conflicts.

Program Partners

The Papyrus Program has had excellent results in terms of establishing strategic alliances with critical actors in education and local and federal government. Specifically, three relationships have been critical to the success of the program.

Center for Continued Experimental Learning at the University of Simon Rodríguez (CEPAP-UESR): By partnering with CEPAP-UESR, the Papyrus Foundation has an academic partner capable of supporting curriculum development and evaluation, as well as training in-school promoters. At the close of each Papyrus Action Model, teachers that have participated in the three-year process are awarded a professional training certificate from CEPAP-UESR. Over the three-year project, the Papyrus Foundation has continued to maintain close contact with CEPAP-UESR.

Ministry of Environment and Natural Resources (MARN) : The Papyrus Foundation negotiated an agreement with MARN to include its environmental education curriculum in the ministries environmental education program for Caracas, in 2003. As a result, the Papyrus Program curriculum was included in MARN's action plan for preschool environmental education. Papyrus worked closely with MARN's Professor Ibeth Parra on this initiative.

Ministry of Education, Culture and Sports (MECD): In all three states where the Papyrus Program is implemented, as well as Caracas, partner schools have formal relationships with MECD. The local MECD has provided teachers with time, and space and equipment for program promoter training activities.

Project Obstacles

Despite the overall success of the Papyrus Program, the Papyrus Foundation has confronted various external obstacles in program implementation. As a result of the political instability Venezuela has faced over the past three years including a three-month national strike, a call for referendum, and subsequent recounts, political pressures are high throughout the country. The Foundation had to postpone administering training programs in Aragua, Zulia and Falcon in 2002, providing it instead in 2003.

Another potential problem is turnover among school administrators and teachers. New administrators could make the Papyrus Program vulnerable if incoming leadership is not interested in continuing with the program. To date, such changes in leadership have not resulted in any school discontinuing activities. This potential obstacle is further managed by having three to five teachers on each project team so that there is likely to be at least one teacher remaining who has a solid understanding of the Papyrus Action Model.

The Future of the Papyrus Program

The Papyrus Foundation currently is assessing two strategies for managing and expanding the Papyrus Program. Together, these initiatives address the non-profit and corporate needs of the Foundation and its sponsor, Manpa.

First, the Foundation is assessing the possibility of creating regional networks of socio-environmental organizations that have grown out of the Papyrus Program in the states of Zulia, Falcon and Aragua, as well as in the state of Caracas. The program would further institutionalize the newly formed community organizations and ensure the development of common projects addressing socio-environmental concerns in Venezuela. The network would also aggregate community-level action, giving these organizations a collective voice to continue negotiating partnerships with critical actors in government.

A second program is under consideration with the IAF to assess the potential for low-income populations to be incorporated directly into Manpa's supply chain as suppliers of raw materials and recycled paper. For Manpa, the economic slump facing Venezuela over the past three years translated into more than a 20 percent decline in hygiene product sales in 2002.

In 2002, Beatriz Febres-Cordero met with Audra Jones, Venezuela's Foundation Representative for the Inter-American Foundation, to discuss the Papyrus Program results. Febres-Cordero indicated that the Papyrus Program had an unexpected downside; in that, it was raising expectations in some communities that were eager to develop more integrated community recycling programs to leverage local economic opportunities. At the time, an independent corporation was voluntarily collecting recycled materials at Papyrus Program affiliate schools. When Febres-Cordero approached the company about scaling up community collections, it did not feel that the expense associated with making community collections made sense from a business perspective, based on the small volume of recycled materials it received.

With no feasible intermediary to collect materials at partner schools, Febres-Cordero and Jones discussed how to make these community-based recycling programs into a viable business opportunity to collect, recycle and process paper. The next step was a conversation with Manpa Board Members, Elena Delfino and Carlos Delfino T. Manpa imports close to 30 percent of its recycled raw material inputs from the United States. Escalating purchasing and transportation costs, due to a weakened bolivar and strong dollar, made the idea of a local supplier of recycled raw materials attractive from a business perspective. As a result, Manpa and the IAF have undertaken a study to assess the potential to integrate low-income communities into Manpa's supply chain as suppliers. The two commissioned a study that will not only look at paper recycling but also glass, aluminum and plastic. The study will further consider the social conditions of those individuals who currently collect trash, to assess their interest and ability to work collectively (as a small business or cooperative). If successful, the project would allow these low-income communities to move beyond garbage collection into added-value recycling processes, by providing them with technology and capital.

Lessons Learned

The Papyrus Program has been largely successful to date, thanks to a series of strategies and opportunities the Papyrus Foundation has created.

Perhaps first and foremost from the company's viewpoint, Manpa seriously considered the organizational structure and mission it would use to implement its community CSR programs. As a result, the Papyrus Foundation is able to differentiate itself from other corporate foundations abundant in Venezuela. Without a clear sense of strategic intervention, multiple foundations addressing the same concerns can inadvertently cannibalize available resources to pay administrative costs rather than programs. The Papyrus Foundation has been very clear in its mission: to create awareness of the need for recycling to ensure the rational and balanced use of natural resources; and to focus on the increasing socio-environmental problems associated with trash problems, particularly in urban areas of Venezuela. The Foundation does not fund one-off projects or requests for funding from community groups for non-mission related programs. This sense of clarity is essential in Venezuela, where the law stipulates that the government can intervene in a foundation's management if it deems the foundation's patrimony is not being used for the purposes outlined in its bylaws. Corporations that initiate foundations should carefully consider both the upside and

downside of any legal framework they use for undertaking their community CSR programs.

From the communities' viewpoint, the Foundation's flexibility has been key. The Papyrus Foundation initiated program activities with two overarching goals: to reinforce the environmental, social and economic dimensions of recycling; and to generate methodologies to promote participation allowing educational institutions to meet their own physical needs through small-scale remunerative recycling programs. In the process, the Foundation realized that each school was facing a different context and that the Papyrus Program would have to be dynamic in its implementation. For example, UE San Isidro Labrador Public School in Maracay, Aragua, is located on the outskirts of the city; and therefore, it is difficult for children to bring recyclable waste from home or the neighborhood. As a result, the school has focused extensively on environmental education programs that can be undertaken at home and in the community (Papyrus Report, January 2004). Without this level of program flexibility, the program would not have been a success.

The Papyrus Program has a well-contemplated exit strategy. The Papyrus Action Model takes a deliberate approach to identifying, training and then turning over the Papyrus Program to partner schools. Over the three years of program implementation in a partner school, the Papyrus Foundation has evolved from program promoter to one of the many strategic partners with the local school. In a traditionally paternalistic society, the Papyrus Program has a secondary effect of creating local leaders and decision makers who are armed with the necessary skills to make a positive impact on their communities.

As a majority family-owned corporation, Manpa was extremely savvy in hiring Febres-Cordero, an outsider who brought a new perspective to the corporation's CSR strategy. According to Febres-Cordero, only in the last few years has Manpa seen its actions specifically as a CSR strategy. With the support of an outside consulting firm, she assessed the program's potential and proposed a new strategy for the corporation to include a corporate foundation with a well-defined mission: promoting environmental education at the individual, community and business levels.

Managing community-driven CSR programs in countries with challenging political environments is possible when contemplated with strong community support. In the case of Latin America, the failed promise of equitably distributed capitalism has given rise to significant populist movements. This is an opportunity for a corporation to work with communities that are increasingly able to articulate their needs and participate in programs directed towards their benefit. By having the program

managed by teachers, students and representatives from the local communities, the Papyrus Program is well positioned to take advantage of this social movement in Venezuela.

Corporations interested in working with community CSR programs targeting basic needs such as health and education often find themselves filling the role government cannot, due to limited resources or poor management. In a politically tense environment, the corporation runs the risk of isolating government through these programs. The Papyrus Foundation presents a well-thought-out strategy for managing this potential risk. The Foundation has partnered with local and national government institutions. Not only do these relationships leverage much-needed resources for program continuation, they also ensure that other actors are involved in program design and ownership, thus avoiding potential animosity.

Potentially, the most interesting lessons from the Papyrus Program are yet to be learned. The Papyrus Foundation's interest in assessing the possibilities for low-income populations to organize, collect, recycle and sell appropriate recycled raw materials to major corporations is an innovation not only in Venezuela but around the globe. Given the trend towards over-crowded urban areas, coupled with poor urban planning in many of the world's poorest cities, the efforts by the Papyrus Foundation to integrate low-income populations may go well beyond its corporate and local development interest. The lessons could be shared with other companies developing community-based CSR programs among low-income communities.

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Community Sustainable Self Development— A Working Model: Peñoles Industries, Mexico

By Juan Felipe Cajiga

A company exercises social responsibility through: social investments; strategic philanthropy; involving itself in dialogue on local, national and international public politics; and acting in response to the needs and interests of the community and the various public stakeholders. The resulting corporate decisions are linked to ethical values, responding to legal requirements, respecting people, communities and the environment. This responsibility is inherent to all enterprises as corporate citizens—although few are conscious of this responsibility. A company, like any citizen, forms part of a community holding specific obligations and rights. Above all, it is an actor that receives benefits and affects its surrounding environment. The corporation is a key actor in economic development, besides having a strong influence on the local culture and on the way community members think.

The members of a business form an internal community (employees, collaborators, clients, suppliers, stockholders, top executives, and directors), and the company must understand that each of its decisions and activities will have a greater or lesser interference on community life. This position of privilege brings with it an additional responsibility: to contribute positively to the well-being both of the company itself and also of a collective.

Based on the above, we are proposing the Peñoles case as a successful experience of a company's social responsibility within a community. This is an example of how a corporation maintains significant participation in the life of the community where it operates (and which, in many cases, the company's own life revolves around), how it identifies the community's expectations and needs, and finally, the positive and negative affects of the Company's daily actions.

Country Profile

Mexico gained its independence from Spain in 1821. There are over fifty ethnic groups in Mexico—a blend of Indian and Spanish cultures that

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clashed in the 16th century, forming a new people and country. As a result of this mixture, nearly 80 percent of Mexicans today are descendants of both native and Spanish cultures and are called *mestizos*.

Mexico is a middle-income country, but there are still huge gaps between the rich and poor, north and south, and urban and rural areas. Since the catastrophic 1994-95 financial crisis that thrust millions of Mexicans into poverty, there has been important progress in building a modern, diversified economy, improving infrastructure and tackling the roots of poverty.

Today, the country enjoys a more open economic and political system and is more integrated in the world economy. Mexico has been a member of the North American Free Trade Agreement (NAFTA) for more than ten years and also belongs to the Organization for Economic Cooperation and Economic Development (OECD).

Although Mexico has made important gains in health and education, low and inequitable growth has kept poverty rates high. In 2000, 53 percent of the country's population was poor (living on less than $2 per day), while nearly 24 percent was extremely poor (living on less than $1 per day). In addition, inequality is pervasive and is reflected in great income inequality (the richest tenth earns over 40 percent of total income, while the poorest tenth earns only 1.1 percent), deep regional and ethnic disparities, and differences in access to basic services. Despite some progress in poverty reduction during the last decade, achieving the Millennium Development Goals remains a challenge for Mexico (World Development Indicators).

The following indicators illustrate human development in Mexico:

○ Income per capita is $5,910, one of the highest in Latin America.

○ Life expectancy at birth has risen to 73.6 years.

○ Under-five mortality rate dropped from 46 to 30 per 1,000 between 1990 and 2002.

○ About 88 percent of people have access to clean water.

○ The literacy rate is over 90 percent.

Company Profile

Peñoles Industries (Peñoles Inc.) is a mineral and metal extraction company in the fields of mining, metallurgy, and chemicals. It has been one of Mexico's leading industrial groups since it was founded in 1887. Initially

dedicated to the exploration, mining, smelting, refining, and marketing of non-ferrous metallic minerals, the company today also develops and commercializes inorganic chemicals and refractory. Peñoles is comprised of more than 50 companies and has 9,081 employees. It is the world's largest producer of refined silver, metallic bismuth and sodium sulfate, one of the main Latin American producers of refined lead zinc, and the leading Mexican producer of refined gold, as well as one of Mexico's private leading exporters. Peñoles seeks to add value to non-renewable natural resources, provides its clients with products and services of the highest quality, and sustains productive short-term relationships with its suppliers. It encourages mutually beneficial relationships within the communities in which it operates, and protects and preserves the environment.

Geographic Influence

Peñoles operates in nine states in Mexico, interacting with approximately 1,200,000 individuals in 64 communities, through 12 Community Participation Boards, 12 Social Welfare Centers and a volunteer network.

Since its beginnings, community development has been an inherent activity of the mining activity and Mexico is a country that has historically based the development of its cities on the strength of its minerals. But the old Mexico of colonial haciendas is gone. Although freer, in today's Mexico, population growth and the constant demand of jobs and services have become crucial social demands. The challenge is now economic growth with the proper balance and respect for the environment and social progress that is harmonic and inclusive. Now, when a community detects or perceives a need, the Company does not adopt a paternalistic attitude (as the provider); rather, it acts as the practitioner, counselor or agent for the change, becoming another actor in the process. It helps the community to organize itself and gives technical and financial advice to enable the community the possibility of obtaining the income and know-how to efficiently manage that income. For instance, if the community sees the need to have a bakery then it first must see if there is an individual interested in starting such a business and if this person has the necessary know-how and financial resources to launch it. The company, through its development or community-relations department obtains and offers information regarding existing civil or government organizations, as well as the proper training support and financial aid, puts that individual in contact with the necessary areas and, if necessary, may support the launching of the project.

Tizapa Community Profile

Tizapa is a small community (established in 1992) in the municipality of Zacazonapan, in the State of Mexico. It is 110 kilometers from the state capital of Toluca and is 1,225 meters above sea level. The Tizapa mine is one of Peñoles' most important mining units. Tizapa has a population of 3,798 inhabitants, whose main economic activities are the mining industry (21.28 percent of the jobs in the municipality), stockbreeding and agriculture. The community has basic public utilities such as potable water, telephone, paved roads, a health care center and an educational center offering pre-school through secondary school.

Tizapa could be identified as an impact community: one already established before a company establishes itself there, and where those hired become involved in the company, and contribute their own values, culture and organization. In an impact community, Peñoles supports self-development in common welfare projects that are self-sustainable, gives leadership as a good neighbor, and maintains respectful relations with the community.

Description of the Program

Peñoles considers itself an integral member of the communities surrounding its plants, and interacts with them directly. It also participates in local associations, authorities, companies, and institutions, working with them to encourage common values. Peñoles is an active supporter of sustainable community self-development through its Comprehensive Business Administration System. This includes a coherent community development policy and an Institutional Community Self-Development System, acknowledged by various public and private organizations at home and abroad as one of the most effective corporate social responsibility programs. Peñoles is committed to making rational use of natural resources, and conserving and building them to live in harmony with neighboring communities and ecosystems.

The Peñoles mines division depends on community development politics to favor the self-sustainable development of neighboring communities, to avoid or reduce: the vulnerability and/or dependence of these communities in terms of the opening, operation, concession, acquisition or closure of mines; and to systematically use the labor environment to promote community, family and personal improvement for employees, miners and their families.

In this context, the Committee for Development of Zacazonapan was formed in July 1999, on the company's initiative and the participation

of municipal and state governments, institutions, company representatives and citizens (managers, teachers, students and members of different sectors of Peñoles). Each year, the community holds an event at which it recognizes committee participants that have excelled.

The committee is organized in four different work teams (with the participation of all of the sectors of the community):

○ Education, Culture and Sport.

○ Health, Ecology and Security.

○ Productive Activities.

○ Infrastructure.

The Committee holds general working meetings in order to revise the advances made in each of the proposals and projects for improvement established by the work teams. The municipal president, Cruz Jaramillo, explains that the committee performs an important function in support of the municipality and very effectively contributes to development.

The University of Technology of the South of the State of Mexico publicly recognized the support the committee offered to the community's students in their professional training

The Process

Based on an assessment of the community and the company's business strategies, Peñoles set up lines of action on two levels: first, competencies exclusive to the company; and second, areas of shared responsibility. The key actors in this case are: the company, its employees and/or collaborators, the population, and the authorities.

For the Tizapa mining unit, sustainable development is focused on three areas of equal importance: **economic growth**, **ecological balance** and **social progress**. Social progress is understood to mean raising the level of welfare and satisfaction of needs in the areas of health care, education, economics, housing, and infrastructure. Through the participation, integration, and work of various members of the community, this is a self-sustainable process.

The Development Committee operates in three stages:

○ **Elaboration of plans and programs**, based on the assessment of the community.

○ **Execution**, in which working parties participate by monitoring the plans.

○ **Evaluation and improvement**, by means of the impact measurement system in the community.

As a large enterprise, Peñoles acknowledges that the most important asset to be shared with the community is, precisely, the ability to be an enterprise, the capacity to model organizational skills, the ability to manage resources and, above all, the dexterity to start a project and fully assume its challenges.

A few years back the company's traditional vision made them see themselves as a closed economic being, one that was forced to see and find the solution to a given need or to a specific problem based only on its capacity or ability to perform as a business.

Today, that vision has changed. The company now considers itself a socio-economic entity, open and interacting with its community. This new vision focuses on optimizing and accessing resources and funds for social development, including funds from public and non-government organizations. These funds were previously inaccessible, due a combination of: the company's traditional vision of business; a lack of community organization to determine its own basic needs; and the lack of a proposed plan, project or study on operational or financial feasibility.

A community's development must be self-sustainable, and this implies that it should not be turned into the object of assistance or charity from the company. On the contrary, the community should be respectfully guided along a feasible path leading to a transition to self-management. For instance: previously, when a community felt the need to have another bakery because the only one in the neighborhood sold very expensive bread, the company would decide to start another one, assuming all installation and maintenance costs, adding the salaries of the bakers and their staff to the payroll. As time went by, the first established business closed because it could not compete with the company's facilities and operating costs. The same occurred with schools, health centers, sports areas, services, housing, and so on. Despite the best intentions to assist the community, the community's development capacity was diminishing, making it even more dependent on the company, similar to the days of the haciendas that produced ore in colonial Mexico. The drama, of course, was that when the mine finished its cycle and it became necessary to close, it was neither socially nor economically justifiable to abandon the town.

Today, Peñoles aims at helping the community towards a transition to sustainable self-development, enabling the community to autonomously and uninterruptedly assume control over its own circumstances.

Peñoles determines its participation in community development on the basis of an operating plan, which includes strategic actions such as:

○ Strengthening the quality of education.

○ Promoting autonomous development of productive activities.

○ Promoting culture.

○ Promoting sports.

○ Promoting human values and common habits.

○ Promoting health and ecology.

○ Promoting family integration.

○ Documentary back-up of strategic actions with the Self-Sustainable Development System.

Each of these actions is monitored through quarterly meetings of the committee and internal work meetings.

Program Results (Outcomes)

As a result of the intervention of the Zacazonapan Development Committee, diverse benefits to the community have been obtained, such as: a health center, sports arena, openwork (ravel) workshops, Genetic Improvement for the Cattle Project, Cheese and Ravel Fair, multiple attention unit for people with diverse capacities, sanitary garbage deposits, school scholarship programs, regional sports events, first-aid and hygiene courses, management of a trash harvester truck, bus for school transportation, patrol cars, ambulances, a public market, telephone lines, pay TV, programs to support artisans and postal services.

Company Outcomes:

○ **Leadership:** Top executives have shown their commitment, support, and participation in social responsibility efforts with the community. The company identifies and is constantly monitoring social, ethical, and environmental issues that are important to its operations and reputation. To do this, Peñoles has established a head office for community matters.

○ **Relationship Building:** The Company's management acknowledges that building and sustaining trusting relationships, as well communicating with the community and with the main groups involved, are critical components of its community development model. Peñoles has formed committees and community development councils as multi-disciplinary work forces where diverse actors and community representatives participate in the process to find the solution to their main problems and where the company is one of the actors.

○ **Strategy:** Peñoles' strategic plan for its social programs (internal and external) is based on a vision of shared commitment to programs, expectations, and goals for its business and for the communities in which it operates. The community is offered a space for communication and feasible options aimed at its socio-economic development. Although in some cases these committees adopt their own legal personality as independent civil society entities, in the majority of cases each initiative is supported by the organization and personality of the actor that promotes it in favor of the community, be it a school, town council, church, firemen's group, clinic or individual.

○ **Follow-up:** All enterprise levels have a specific function and responsibility to reach the social responsibility goals that were put before the community.

Problems and Learned Lessons

Two of the main problems that have been faced in the process:

❶ The pre-existent paternalistic culture, in which authorities and businesses take care of community demands and needs, had created extensive dependence and apathy in the community. Some attempts have been made to empower the community in civic education, in understanding the benefits of participation, and in the establishment of voluntary Brigades of Common Developers for Social Development.

❷ In six years, three different political parties have governed Zacazonapan. The committee and other participants overcame this problem by successfully pressing for a municipal decree which formally allowed the governing authority, regardless of political profile, to participate in the committee.

One of the most important lessons is the value of social development in the identity of a community. A community without identity is merely

a group settled in a neighborhood, but which does not own values or common interests. As a result, one cannot expect this kind of group to participate as a community. When these groups acquire consciousness of their roots, values and common destiny, and realize that the person living next door is their neighbor and constitutes an important member of their community, who shares their same concerns, interests and aspirations, something happens, almost automatically: these members recognize that they belong to a group and begin to assume responsibilities and participate in their self-development. To want to cooperate with a community that does not have or does not know its own identity is like wanting to buy property from a person who is not the legal owner.

Peñoles has run this program for the past six years and we believe that, with methodical work, 100 percent of our communities will be autonomous and sustainable in 10 years. This will confirm our vocation as entrepreneurs and our love, trust and loyalty towards our country, Mexico.

Measurement

As in any betterment process, assessment is necessary since it provides an element of guidance and the ability to monitor change. We recognize the need for community development indicators and have turned to different organizations (national and international) to devise a system and a formula which combines our own calculations with variables of the Human Development Index used by the United Nations Program for Development (UNPD) and the welfare indicators of the National Institute of Statistics in Geography and Informatics. This establishes the level of welfare or quality of life of the community in matters of health, education, economy, housing, infrastructure and services. Later, we evaluate community self-development in order to correlate welfare with the autonomous and sustainable capacity of the community, thus measuring its degree of participation, work and integration.

The Company aligned indicators and established reviewing routines and consequent feedback to its programs and projects in the community:

○ Definition of strategy and social impact programs

○ Donations and resources put into programs; efficiency in outcomes; development impact

○ Participation in society actions and institutions

○ Support for the development of purveyors and import substitution

○ Participation and impact in public life

- ○ Participation and active collaboration with adjacent intermediate institutions

- ○ Influence and outcomes in local and national civic areas

- ○ Giving the greatest possible added value, considering the interests of all participants: investors, collaborators, top executives, competitors, providers, clients, government, social organizations and the community.

Peñoles reproduces actions to:

- ○ Create strategic alliances to support large-scale projects.

- ○ Strengthen infrastructure to support repercussion efforts.

- ○ Integrate Corporate Social Responsibility activities with common commercial practices.

- ○ Share the best practices of Corporate Social Responsibility with other company operations.

- ○ Expand the Corporate Social Responsibility program to embrace new activities.

Final Considerations

At the beginning of its negotiations, the main problem faced by the Zacazonapan Development Committee was the limited motivation of the community to actively participate. The government, with paternalist actions, has generated a culture of dependence (for example, showing up at community meetings to give away animals, building materials, pantries, and so on). On the other hand, the presence of the company in the community placed it in the natural position of being the "solutions provider," either along with the authorities or replacing them. At the beginning, the Committee found that if the representatives of the community saw that nothing was going to be given away for free, they would not go to the meetings. There was confrontation with people looking for personal benefit and suspicion in the community that the Committee might be a political current of the governing party, supported by the company.

The work and perseverance of the Committee succeeded in making the participants recognize the value of working in alliance with other sectors. The community came to understand that this had nothing to do with political actions, because the Committee has now worked with the governments of three different political parties. Furthermore, the com-

pany has given much more than just donations. The results and benefits obtained for the community have motivated everyone else to participate. Those participants that only had personal aspirations and objectives, upon seeing that there were only collective benefits, left the committee.

Now the Community of Zacazonapan stands out because it negotiates the majority of its needs directly with the Zacazonapan Development Committee and not with Tizapa Mining. Petitions of a governmental nature are channeled directly to the corresponding office.

The problems of the community that are discussed in the Committee are solved by a team. Each person contributes resources within his or her possibilities: trucks, labor, schools, volunteer time, and so on.

People's attitudes are now different; they participate in each of the actions that will benefit the community, aware of the importance of their participation. After five years of operation, the Committee has had 31 meetings and some people have participated in all of them; there have been 43 recognitions of active participation this year.

In accordance with their profile and interests, people enroll in Committee activities where they can contribute their talents. For the first time, the community now participates voluntarily in very simple activities, for example: promoting social and environmental values by not littering; participating in conferences, health campaigns, sports tournaments, productive activities, and parents' committees.

Fome Zero Brazilian Program:
Cisterns Program—ASA
Brazilian Banks Federation (FEBRABAN)

By Marcelo Linguitte

In the 1990s a new political space opened for private sector participation in the social field in Brazil. The seriousness of poverty and the precariousness of labor stimulated the struggle toward ethics in politics and social justice for the excluded population. In this context, companies were gradually called to intervene and to become co-responsible for confronting the social problems affecting the country.

Private sector organizations in Brazil are becoming aware that they have to operate in a manner that meets society's ethical, legal, and commercial expectations of the business sector. Consumers and society have contributed to this progress in great part simply by being aware of their power. Corporate Social Responsibility (CSR) today is not only a concept but a matter of survival. This has led to a significant shift in the understanding of the role performed by corporations, companies, and small businesses regarding social responsibility and accountability.

The stage is clearly set for totally renewed interest in the work of NGOs and other civil society entities, particularly because the clear distinction between the public (state) and private (business) spheres is yielding to a public realm that is in the hands of the stakeholders themselves: business people, community leaders, civil organizations, and especially, citizen volunteers.

Country Background

Brazil is the largest country in Latin America, with the largest population—just over 8.5 million km^2 and 170 million inhabitants. Its political system and decision-making processes involve a wide variety of political parties and interest groups, and a very large and diffuse bureaucracy.

For several decades, Brazil has been caught up in the process of transition from an agricultural country dominated by traditional oligarchies,

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to an economically diversified nation with a broad base of popular participation in the political life. The traditional power of the rural oligarchies has declined steadily since the 1930´s, when industrialization definitely replaced the expansion of agricultural exports as the impetus for economic growth. Large landowners, however, still retain sufficient political power in many regions (especially in Northeast) to obtain essential favors and privileges, while some elements of the landowning class have diversified their interests over the decades and are powerful in both urban and rural politics. Despite this, Brazil has made uneven progress towards modern nationhood while developing a viable political system based on popular representation.

However, misery and poverty are widespread and the majority of the population have—at best—limited access to education, heath care, basic sanitation, running water, housing, and welfare. Corporations and wealth are concentrated in the south-east, aggravating the already large differences between these relatively rich and advanced states (São Paulo, Rio de Janeiro, Minas Gerais, Paraná, and Rio Grande do Sul) and the rest of the country. Brazilian legislation provided for a reasonable level of social accountability and responsibility on the part of private business entities, in an attempt to secure certain social benefits for the work force. This took place in the first half of the 20th century, and was considered an improvement on the previous state of affairs. In spite of modest modernization over the subsequent decades, the main outcome of this set of laws in the 21st century is an excessively heavy burden on business. The Brazilian government takes a high percentage of revenue to cover social costs but has a very poor track record regarding fiscal or other incentives to foster social projects conducted by the private sector and civil society. Businesses are barely allowed to deduct the amount spent in social initiatives or charitable donations. According to research produced by GIFE—Institutes, Foundations and Enterprises Group,[1] only 20 percent of companies that invest in a variety of social areas, use the tax rebates incentives available, probably due to an extremely bureaucratic system.

Inequity in Brazil registers at around 0.6 on the Gini[2] index. This ranks the country fourth among nations with uneven distribution of income in the world (Morley 2001). Most indicators show that the situation is even

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[1] GIFE—Grupo de Institutos Fundações e Empresas [Enterprises, Foundations and Institutes Group] is the first association in South America to gather organizations from the private sector that finance or implement social, environmental and cultural projects of public interests. Their website is **www.gife.org.br**

[2] This index measures equity within a country by comparing people's income. It can vary between 0 (zero) and 1 (one). The closer the country is to 1 (one), the greater the lack of equity.

more critical: 19.1 percent of the people over 15 years of age are illiterate; and there are over 40,000 cases of homicide per year in the country—a figure that resembles that of countries at war.

According to IBGE[3], ten percent of the population receives 45.7 percent of all the income generated in the country, while the poorest 10 percent receive one percent; that is, the 7.9 million people with the highest income receive around 46 times more money than the 7.9 million poorest people.

According to the Index of Human Development report on human development, published by the United Nations Program for Development (UNPD), Brazil ranks 83rd in terms of education and 102nd in terms of longevity.

Brazil is observing its commitment to three of the five United Nations Millennium Goals established in 2000. According to the 2002 UN report, the country has been reducing its malnutrition, infant death rate, and the number of people without access to clean water. The government has made strategic investments and launched a nationwide program[4] aiming to reduce hunger and poverty.

Overview of Corporate Social Responsibility (CSR) in Brazil

Brazil's modern export-oriented development model is based on intensive technology and agribusiness, which is detrimental to social inclusion and employment generation. Macroeconomic policies prioritize inflation control and tax adjustment, aimed at servicing the foreign debt, thus constraining growth and feeding a vicious circle: the intensification of social inequalities, exclusion, and environmental imbalance.

Brazilian legislation provides for a reasonable level of social accountability and responsibility within the scope of the private business entities. However, the Brazilian government has a very poor track record on fiscal or other incentives to foster social projects conducted by private sectors and civil society.

According to the 2001 IPEA (Institute of Applied Economic Research),[5] more than 60 percent of the companies surveyed invest in the social area, either directly or through donations and partnerships with NGOs. Corporate involvement in measurement and certification processes is outstanding: nearly 200 companies have subscribed to the

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[3] IBGE—Brazilian Institute for Geography and Statistics.

[4] Fome Zero Program, **www.fomezero.org.br**

[5] "Bondade ou interesse? Como e por que as empresas atuam na área social" (Generosity or interest? How and why companies perform in the social field). 2001 IPEA research.

Global Compact (GC), more than 250 apply the Ethos Indicators[6] on Corporate Social Responsibility on a regular basis, and more than 150 have been publishing social reports, some of which already follow GRI (Global Reporting Initiative) guidelines.

Considering the numerous initiatives in the media and academic production[7] fields, the CSR movement in Brazil has grown exponentially, led by organized civil society and the business community, with little or no government participation. There has been some collaboration from international entities, especially the Global Compact and assistance banks such as the IDB and the World Bank.

The discussion and adoption of GC principles can strongly trigger cultural change and strategic reflection, allowing companies to start a more systematic search for CSR tools and indicators. The growing support of the GC to GRI guidelines is a strong example of that. In Brazil, the publication Práticas Empresariais de Responsabilidade Social—Relação entre os Princípios do Global Compact e os Indicadores Ethos de Responsabilidade Social Empresarial (Social Responsible Business Practices—The Relationship between Global Compact Principles and Ethos Indicators of Corporate Social Responsibility), published by Ethos, analyzes the matrix of GC principles with Ethos Indicators, pointing out their application in several concrete cases exemplified in the Ethos' Best Practices Database. Such initiative demonstrates how the concepts supporting GC principles can be applied in practice and evaluated in the CSR context, offering strong reasons for companies to take their initiatives further.

Case Study[8]

The Cisterns Program[9] is one of many actions developed due to the commitment with Brazil's Fome Zero[10] (Zero Hunger) project. The following

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[6] Ethos Indicators of Corporate Social Responsibility were designed by the Ethos Institute to guide companies in their self-evaluation of the status of their CSR development.

[7] In the fifth edition of the "Prêmio Ethos-Valor" (Ethos-Valor Award) for the best academic papers in the CSR field, 355 papers were submitted and 470 higher education institutions offered their support. The Ethos Institute launched this year the UniEthos, a branch of the Institute exclusively focusing on corporate qualification, support to universities, research, case study review, and the creation of a comprehensive CSR reference and publications center.

[8] The content in this chapter was based on FEBREBAN material presented at International RE-Source Award for Sustainable Watershed Management 2003 and APEL Consultoria Empresarial.

[9] The cisterns were designed by a civil construction worker, Manoel Apolônio de Carvalho, who said, "I am sure that I did something of great value to humankind." 06/04/04 O Globo (Caderno Razão Social), p. 12, by Amélia Gonzáles.

[10] Institutional Text for Programa Fome Zero [Zero Hunger Program]: www.fomezero.org.br

reviews works published mainly, but not solely, by FEBRABAN, which supports the program.

Living Well in the Brazilian Semi-Arid Region

The Northeast region of Brazil is an area of 1 million km[2][11] hit by drought and poverty. It is a semi-arid region comprised of 11 Brazilian states, with over 24 million people—about 15 percent of the country's population and about 56 percent of those living in the Northeast region.

The worst social, environmental, and economic rates in the country are found in this area, and decades of continuous attempts by governments to fight drought have been unsuccessful. The most evident result of the policies employed has been the strengthening of local powers, whose most powerful political weapon is the "drought industry" .

The stagnation and poverty of the region have mobilized a group of NGOs to found the ASA[11] (Brazilian Semi-Arid Network) in 1999. This non-formal entity, focused on the eradication of poverty and hunger, is composed of over 700 hundred NGOs in the Brazilian North-east region and functions as a forum for NGOs.

ASA adopted an existing model as a solution to the water shortage: building rainwater gathering and storage systems. The project also involves other complementary initiatives, such as environmental education and appropriate use and management of the water resources to the target communities.

After assessing the impact of cistern construction process in small communities, ASA decided to broaden the scope of the project, building connections with government programs, supported in the beginning by the Ministry of the Environment. This movement generated the 1 Million Cisterns Project, which aims at helping five million people over five years.

The project was proposed to FEBRABAN (the principal representative of the Brazilian banking sector, which holds 95 percent of total assets in the system). From the beginning, the federal government has acted as an intermediary, in the framework of the Zero Hunger Program.

The program is not limited to the construction of cisterns. For example, reservoirs have been designed to collect torrential rainfall from house roofs through a series of gutters. Their storage capacity of 16,000 liters—if properly used—is enough to supply a family for at least 8 months of the dry period. There is also an ambitious social objective to seek social transformation through education. The aim is to preserve, access, manage, and

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[11] ASA is a legal entity created specifically to manage the Association for 1 Million Cisterns Project.

value water as essential to life and to the maintenance of citizenship. This broadens the understanding and practice of a sustainable relationship with the ecosystem of the semi-arid region.

The program is needed because:

❶ The North-east has only three percent of Brazil's surface fresh water;

❷ The groundwater in the North-east either has high salinity or is difficult to extract;

❸ Average rainfall is enough to satisfy the needs of the population, but constant drought is caused by the physical and temporal irregularly of rainfall distribution, in addition to the significant evaporation levels;

❹ Global climate change has exacerbated the effects and frequency of the harsh drought periods;

❺ Emergency drought measures implemented by local politicians (to capture votes) cease in non-election years, forcing inhabitants to migrate to overcrowded urban areas.

Cisterns represent the best alternative, in terms of cost and benefits, compared other water-saving solutions. The program provides:

○ Appropriate training of beneficiary families and bricklayers on cistern construction techniques;

○ Orientation to beneficiary families in the use and management of the rainwater stored in the cisterns;

○ Instruction to the involved communities on Water Resources Management and Project Management.

○ An attempt to emancipate the communities and develop conditions for income generation (for example, small agriculture and cattle-raising operations).

Program Structure and Time Frame

The initial phase foresees the construction of 10,000 individual cisterns that would benefit around 50 thousand people. The much more daring goal of eventually building one million cisterns would practically put an end to the problem of drought in the area.

FEBRABAN, supported by the federal government, developed the program based on a CSR and sustainable development approach. This

Figure 13.1: Synthesis the Program's main characteristics

Program	Type of intervention	Main motivation	Initial life conditions in community	Space for community participation	Results and impacts	Distinctive characteristics of the intervention
P1MC	Corporations invest through Civil Society Organizations.	Emancipation of the communities and the development of income generation conditions (e.g. small agriculture and cattle raising activities); future consumer market.	24 million people living in the semi-arid region are faced with a constant lack of water.	ASA (NGO) coordinates the program. The institution represents most segments of society in the eleven states benefited.	Construction of one million cisterns benefiting 5 million people.	Governments, companies and civil society working together, validating each others' actions and participation.

included a training program for the local population on construction methods using local resources, and training on managing hydro resources, as well as technological and administrative support so that the resources applied in the project could generate income and employment. In this way, the program was provided with all the necessary elements of sustainability and social responsibility: the banks supplied funds and support to management systems and microeconomic structure; ASA supplied training, local management, and development of low-cost construction methods; and the Government acted as initiative promoter and dialogue facilitator.

The first phase was fully implemented and the social, political and environmental effects are clear: 50,000 people free from the political oppression and the serious constraints imposed by a lack of water; higher educational levels and social and environmental awareness in local communities; qualified local families and communities, and reduced external dependence; competence for low cost solutions; local economies activated; and income generation. The project is now in its second phase, during which another ten thousand cisterns will be built.

Social Mobilization

The purpose of social mobilization is to create an appropriate living environment for the population of the semi-arid region. The idea is to have all communities ready and organized to fulfill a higher scale of needs by the end of the project. The main performers of this component are: families living in the semi-arid region who benefited from the project; rural communities, constituted by these families; community-based institutions; communities; volunteers; micro-regional, state, national, and even international institutions; government; and the private sector.

Social Monitoring

The project carries out both follow-up and monitoring practices to optimize the management and responsible usage of resources. There is also a component for sharing knowledge and experience over the execution and management of the program. The following are responsible for undertaking social monitoring activities:

○ **Participant families:** The most important reason for the families' participation in this component is the exercise of citizenship. Nevertheless, it is essential to reinforce their commitment to the cistern construction process.

○ **NGOs that compose ASA:** Since not all of them will perform an active role in project execution, there will always be a group responsible for monitoring activities.

The instruments and resources created for social monitoring are: social mobilization and personnel qualification processes, periodic meetings, open access to an integrated operational system, and total availability of assessment reports.

Qualification

This component is composed of:

○ **Program manager training:** Due to the large structure of the program, it is important to prepare the management structure for successful implementation. Micro-region and local executor management personnel have to attend preparation courses to assure quality standards when running the program.

○ **Multipliers preparation:** The multipliers are responsible for knowledge distribution inside the program structure. This category includes the bricklaying instructors, Water Resources Management Multipliers, and those responsible for the social mobilization. There is a need for well-prepared instructors in order to replicate experiences.

○ **Families and water resources management training:** This is one of the pillars of the program, providing families with instruction on important issues such as management of the water resources and citizenship.

○ **Bricklayers' instruction:** One central premise of the project is that the construction process involves the local workforce. This makes training local bricklayers in cistern construction techniques essential. A parallel benefit created through this activity is social insertion through employment generation.

Institutional Soundness

This component is composed of:

○ **Implementation and preparation of the micro-region management units:** According to the model adopted, one priority is to legally institute and qualify the micro-region management units to operate mobilization, qualification, and follow-up activities.

- ○ **Acquisition of infrastructure equipment:** To enable the central and micro-region units physically and technically, providing them with indispensable equipment. An integrated workflow and control system is already in implementation. This facility that will allow close monitoring of the progress of the project.

- ○ **Operational costs:** Maintaining this complex and wide network consumes a considerable amount of operational costs, such as human resources, services, third party contracts, and office material. Therefore, the constant focus on communications and fund-raising efforts is easily justifiable to keep the structure running smoothly.

Cistern Construction

1 This component is composed of the material acquisition, transportation, and construction of the reservoirs.

2 The target for the entire project is one million cisterns; the goal for the first year is 45,600. Half of this number has already been funded by FEBRABAN and the federal government, through the national project for hunger eradication.

3 The families pay their counterpart of the construction costs by helping in related activities, such as providing room and board for bricklayers, help with hole digging, and some basic construction materials, like sand.

In addition to the water supply itself, this component benefits the region through job creation. It is predicted that about 770 new jobs will be created through the partnership with FEBRABAN and the Government.

Social, Economic, and Ecological Sustainability:

The objective of the program is to guarantee that the following benefits reach one million needy families in the semi-arid rural area:

- ○ Overcoming their shortage of drinking water through the construction of cisterns;

- ○ Contributing to emancipating citizenship and to the strengthening of social capital and energy through educational processes.

These initiatives are aimed at "interaction with the Brazilian semi-arid region." This is a new view of the region, defined by the program in these terms:

○   The "caatinga"[12]—and the other Brazilian semi-arid ecosystems—
     are a unique environment in the world and have extremely promis-
     ing potential;

○   Men and women, young and old, will be able to modify the tradi-
     tional structures of political, agrarian, and water-related domination;

○   With low cost, little technical assistance, and low credit, a family can
     have drinking water and live with dignity, planting crops, and raising
     goats, bees, and hens;

○   In short, the semi-arid is perfectly viable when there is individual, col-
     lective, and political intention.

Project Concept Can Be Replicated or Multiplied

All documentation related to the program is ready and available to be rep-
licated by any group interested in promoting or adopting it. The partici-
pative methodology, both in its qualification and execution, gives quality
to the results obtained. The capillarity of the program's geographical dis-
tribution (in rural areas in 11 states) allows for broadening of \discussion
and debate about its implementation, counting on the growing participa-
tion of organized civil society in sectors such including churches, trade
unions movements, and NGOs.

   During the preparation of the program, the organizations grouped
around the ASA developed a meaningful technical and political work,
combining intense democratic and participative mobilization of entities,
and generating consensus and agreements between municipal, micro-re-
gional, states and regional (semi-arid) levels in 2000-01.

Implementation and Eevaluation of the Project

About 800 entities now participate in the ASA. Fifty-nine percent are
community-based organizations, including trade unions (21 percent),
entities connected with the Catholic and evangelical churches (11 per-
cent), NGOs (6 percent) and labor cooperatives (3 percent). This is the
largest civil society organization network in the Brazilian semi-arid re-
gion. The majority of participants are volunteers.

   The project is convincing from both emotional and rational points of
view for its proposal to supply Brazilian families in the semi-arid region with

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[12] Caatinga—low vegetation usually bare of leaves.

basic needs for a dignified life, while also providing these families with the ability to interact and learn concepts of regional conservation. The program also stimulates and enables the adoption of public policies for the region.

Program risks include possible team demobilization and project discontinuity due to a lack of resources. These risks can be overcome with the ongoing search for partners to finance the project.

Program Impact

The construction of cisterns has been implemented and substantially tested over the last 20 years. Independent assessment practices driven by consultants working for the World Bank have confirmed the excellence and effectiveness of the initiative. Of all water storage systems evaluated, the cisterns have been the only system to achieve 100 percent approval from all their users.

The program has already initiated its activities in an experimental manner, granting the cisterns to 12,400 families, sponsored by relatively modest funding from the government's National Water Agency (2001 and 2002). The outstanding performance of program can be seen in the reports recently prepared by technical auditing and inspection agents. At the beginning of this year, based on positive results fulfilled by the program, the federal government initiated negotiations that resulted in a partnership with FEBREBAN, demonstrating the program's ability to influence public consciousness.

Lessons Learned

Organized civil society has been the main motivator of initiatives in the fields of CSR and sustainable development, by replicating actions, taking initiatives, qualifying players and stimulating and taking an active part in multi-sector dialogues. However, it is important to clearly define where the roles of multilateral organisms, government, and organized civil society complement one another.

The results presented show the high potential of tripartite partnerships—companies, government and NGOs—to introduce social, environmental, and CSR policies. Furthermore, it is important to take into account all the intangible gains generated by this initiative, such as: reduction of future social costs, progress with citizenship, income generation, decreased dependence, increased solidarity, and overall optimization of resources.

The project consolidated its proposal as viable and innovative public policy that has been adopted and financed by both government and

private initiatives. Using a simple, low-cost methodology it helps a large number of families and also enables these families to interact with the region's ecosystem. The structure formed will allow the project to be broadened to innovate initiatives for a new standard of life for families in the semi-arid region. New initiatives could include the creation of subterranean dams, vegetable gardens, and raising goats .

CSR is a new business management culture that emerges within the context of challenges set by sustainable development. The concepts of CSR and sustainable development can no longer be accessory or marginal in any instance where government, society and multilateral organisms are present.

Final Considerations

The participation of the private sector in the social area is multi-faceted and allows many interpretations. It is not just humanitarian concern that leads entrepreneurs to invest in the social area; such investment is also economically worthwhile. It improves the company's relationship with partners and its image in the eyes of consumers, who today are much more interested in companies that are socially and environmentally responsible. The current competitiveness in the market requires that the companies present specialties that differentiate their brands from others. This is an opportunity for them to enter previously impenetrable markets.[13]

Building a new model implies a new framework for interaction among governments, companies, and organized civil society. It is also important to take into account the sectors with the greatest capacity to generate employment, income, and sustainable production chains, such as small and medium-size companies.

To build this new model, CSR must be both a practical and concrete tool, and a solid reference point for a sustainable economic model. This means moving forward with the methods, instruments, and training processes that enable the internalization of a new managerial culture, sustainable strategic business practices and solid ethical principles.

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[13] According to Okumura, a recent study accomplished at Harvard University finds that "the growth rate of socially responsible companies is four times greater than their counterparts." Okumura, Leila. "As perspectivas e oportunidades nas organizações do terceiro setor no Brasil,"Publicações Controversa / 3º Setor—FEA (FEA/USP—São Paulo).

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Note: Information presented in tables, figures, boxes, and notes is denoted by t, f, b, or n. A list of acronyms is provided on xxvi-xxviii.

The practice of Corporate Social Responsibility (CSR) among private corporations is spreading worldwide. The extent of CSR activities has increased significantly in the last decade and is likely to augment even furhter in the coming years. The effect it has on communities and the role it can play in social development in the developing world is worth exploring. This book reviews the overall situation of CSR and community development in East Asia and Latin America, drawing on concrete experiences in each region. The work includes detailed cases from Indonesia, the Philippines, Thailand, Singapore, Chile, Brazil, Mexico and Venezuela. It also provides brief experiences from two large Japanese corporations, NEC and Ricoh, and a summary of relevant experiences from small and medium-size enterprises in Japan.