Mauritius

Corporate Social Responsibility (CSR) – a supplement to social protection system.

Clairette Ah-Hen

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CSR – a supplement to social protection system

Purpose: eradication of poverty and social protection
Background
It is not only economic activity that determines development; it is also how business is done which impacts the people, environment and economy.
Mauritius

- Liberal economic Regime
  - Economic growth and improved living standards.
    - Upper Middle income status since 2003
    - GDP MUR436.8 billion – GDP Growth 3% in 2015
    - Unemployment 7.9% (Youth unemployment 26.3%)
    - Budget Deficit

- Human welfare in some communities has been falling even while national economy rises, resulting in endemic poverty and associated problems
Gross National Income (GNI) per capita

As per the World Bank’s classification, Mauritius graduated to the upper middle-income status in 2003.

GNI per capita, Atlas method (current US$)

Source: World Bank
Gross Domestic Product (GDP) at current market prices

GDP at current market prices is estimated at Rs 436.8 billion in 2016.

Source: Statistics Mauritius
Mauritius GDP Growth

Mauritius continued to grow at a moderate rate of 3.0 per cent in 2015 due to weak external demand and protracted decline in the construction sector. In 2016, growth is expected to pick up to 3.9 per cent.

Source: Statistics Mauritius
Youth Unemployment

Youth activity rate continued to increase mainly due to significant rise in male youth unemployment. Youth unemployment followed an upward trend in recent years. This was mainly due to a more significant rise in females joining the labour market.
Budget Deficit as a % of GDP

Source: Ministry of Finance & Economic Development
Community Involvement

• Private sector companies
  • Sugar estates – basic infrastructure and support activities (health, education, religious events)
  • Ad-hoc Donations and Sponsorship
  • Philanthropic CSR

• 6000+ Registered Voluntary organisations (NGOs)
  • 300+ active (national level)
  • Children, old age, women
  • Disabilities, discrimination (HIV, LBGT), Health (Diabetes, ...)

• ‘Welfare State’
  • free healthcare, free primary and secondary education and a plethora of subsidies, grants, and further allowances for housing, food, educational materials, transport etc.,
Welfare State

• Non-contributory benefits payable to every Mauritian citizen
  • Basic pensions which cater for the elderly, the invalids, the widows and the orphans, irrespective of their economic status;
  • Allowances such as Social Aid, Food Aid and Income Support, Unemployment Hardship Relief and Funeral Grant which are payable to the low-income group of the population; and
  • Inmates allowance and indoor relief payable to, or on behalf of, those Mauritians residing in government-subsidized institutions (such as old-people homes, infirmaries and orphanages)

• Charitable Institutions (661 @ 31 December 2014)
  • The Ministry provides some assistance to charitable institutions looking after the care and maintenance of persons unable to support themselves.

• The National Solidarity Fund
  • For surgical operations performed abroad
  • Those undergoing “Severe Personal Hardships”.

Source: Digest of Social Security 2014, Mauritius Statistics
Source: Digest of Social Security 2014, Mauritius Statistics
Development

• Benefits of this growth have not been distributed equitably.
  • Inequality has increased.
  • High Trickle-down economics are not working.
  • Shrinking middle-class / downwards slide of the lower middle class.
• Though there is a huge welfare state to help the disadvantaged (considered by some to be unsustainable - tax revenues not enough – growing deficit).
  • 2015 Budget: 38 pockets of ‘absolute’ poverty - 5478 families
  • 2016 Budget : some 6400 families below threshold
    • Marshall Plan Against Poverty
    • MUR 500 million for next two years earmarked.
Development

The issues of income and wealth inequalities remain topical as the economy is negatively affected by external-led factors

e.g. end of favorable trade agreements, increased competition from other countries and the global economic recession

⇒ lower growth rate, increasing public debt, increase in unemployment

⇒ Need to find other sources of funding
“Give and Take:
Whatever you give comes back to you.
Whatever you take will not stay with you.”
CSR Initiatives
CSR Initiatives - Timeline

- **Philanthropy**
  - Historical
  - Ad-hoc Sponsorships

- **CG Code**
  - 2004

- **CSR Funds**
  - 2009

- **CSR Funds - 2% PAT**
  - 2009

- **Companies’ own framework – all guidelines removed**
  - 2015

- **National CSR Fund**
  - 2016

- **National CSR Foundation**

- **National Empowerment Foundation**

- **National CSR Committee**

CSR Initiatives

Voluntary - explicit

• 2004: Code of Corporate Governance: “A board should identify the non-financial aspects relevant to the business of a company ... social aspects” and “… Companies are responsible to society as regards their social role and functions.”

Mandatory

• 2009: “the levies should not be perceived as a tax on efficiency... but are instead a gesture of compassion and solidarity with those who cannot help themselves and with those who will have no means of livelihood if they lose their jobs”.

• 2015: “review the CSR system in depth... the preferred alternative is to let companies decide on how best to fulfill their social responsibility and obligation in a most effective manner. Companies will be free to allocate the 2 % of CSR according to their own set of priorities.”

• 2016: “a National CSR Foundation will be set up and managed jointly by the public and private sectors. Businesses to contribute at least 50 % of their CSR money ... go up to at least 75% following year. The remaining balance used ... in accordance with their existing framework. The NGOs will therefore continue to benefit from contributions from the private sector.
CSR Fund

Guidelines on Corporate Social Responsibility

• Specific objectives of the CSR fund:
  • Encourage companies to manage their own programmes, impacting the intersection of economic with social and environmental development
  • Facilitate the contribution of companies to support existing Approved National Programmes implemented by Companies, national agencies or NGOs
  • Promote a functional community on NGOs with complementary workplans that are relevant to the national development programme.
CSR Fund

• The law comes together with a list of Approved Projects - detailing the type of CSR projects that companies may get engaged with.

• It is of broad scope and covers a wide range of topics in the areas of Socio Economic Development (including gender and human rights), Health, Leisure and Sport, Education and Training, and Catastrophes.
  • In principle, companies are allowed to choose which activities they want to perform within the approved range.
  • Limited to 3 areas in 2010
    • Social Housing
    • Welfare of Children from Vulnerable Groups
    • Eradication of Absolute Poverty.
  • Changed to 6 priority areas in 2016

• For companies with CSR funds equivalent or above 2 million Rupees, this selection is subject to approval by the National CSR Committee.
In 2012, PAT changed to ‘profits chargeable to income tax’.
CSR Fund

- Companies need to **mandatorily** contribute 2% of their ‘Profit after Tax’ (2012: Profit chargeable to Income Tax) to the CSR fund.
- Companies have to report their CSR contribution to the Mauritius Revenue Authority (MRA) in their Tax Returns.
- Companies have one year to fulfill this legal obligation, else are required to remit any amount unspent to the MRA.
- Two other agencies:
  1. National Empowerment Foundation = who are the poor and their needs
  2. National CSR Committee
     - Approval/Accreditation of NGO, CSR programmes
     - Issues of guidelines for awarding CSR funds, limits administrative expenses to 15%,
- Replaced by National CSR Foundation in 2016
Implementation and Challenges
Pyramid of CSR

- Economic Responsibilities: Be profitable
  - Legal responsibilities: Obey / comply with the law
    - Ethical Responsibilities: Do what is right, just and fair
      - Corporate Citizen Responsibilities
        - Philanthropy

Based on Caroll’s model (1991)
CSR evolution

CSR has emerged in ways that reflect local business cultures, issues and drivers of change, a common pattern of evolution can be discerned:-

- **1st generation** - generally characterized by ad-hoc responses to social and environmental issues and challenges threatening business.

- **2nd generation** - a more professionalised approach to their impacts, setting commitments and targets and measuring and reporting on performance.

- **3rd generation** - companies aligning their business strategies more broadly towards sustainable development.

**Move from** controlling negative impacts **to** businesses that contribute to societies, impact positively on people and environment.
CSR Implementation

2008 review of CSR in Mauritius (by Deloitte for Government, MACOSS, UNDP):

- Lack of information on CSR areas,
- Absence of proper partnership,
- Lack of audit after implementation and
- Lack of coordination
- Not integrated in organisational strategy, structure and operations.
In 2015, firms in the private sector in Mauritius have to balance their obligations to shareholders with explicit contributions to the external community (CSR Fund), but the way they contribute differ considerably.

- Some firms have their own SPVs and strategy in place
- Some have partnerships with other organisations (NGOs) on a long-term or short-term or one-off basis
- Others have a "minimum necessary" stance to CSR involvement
In 2016, “during the pre-budget consultations, numerous representations were received from civil society organisations concerning the operation of the CSR system. The main criticisms levelled were as follows:

• Lack of focus on poverty alleviation and assistance to vulnerable groups (diversion from the original objectives);
• Arbitrariness and lack of transparency in the allocation of CSR funds by companies;
• Difficulty in accessing funds by some deserving NGOs and other civil society organisations;
• In the absence of guidelines, there has been a proliferation of all types of organisations and clubs just to benefit from the CSR funds; and
• Lack of proper monitoring and evaluation of CSR programmes and activities.
• There have been many instances where the CSR funds were not directed to the support of vulnerable groups as originally intended”.

Source: Mauritius New CSR Framework (2016), p 3
# CSR Implementation

<table>
<thead>
<tr>
<th>Year</th>
<th>Total CSR Funds (MRA)</th>
<th>Unutilised Funds (MRA)</th>
<th>% estimate</th>
<th>Funding of NGO's (Consolidated Fund)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td></td>
<td>149.5</td>
<td>20%</td>
<td>235.0</td>
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<tr>
<td>2011</td>
<td></td>
<td>116.4</td>
<td>17%</td>
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<tr>
<td>2012</td>
<td></td>
<td>130.0</td>
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<tr>
<td>2013</td>
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<td>124.7</td>
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<tr>
<td>2014</td>
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<td>842</td>
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<tr>
<td>2015</td>
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<td>756</td>
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<td>2015 (6 months)</td>
<td></td>
<td>55.8</td>
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<tr>
<td>2015/16</td>
<td></td>
<td>147.5</td>
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<td></td>
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<td>890.4</td>
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</tbody>
</table>

Source: Minister of Finance - National Assembly (August 2016)
Negative Perception / criticism

• “In some respects – especially among less developed economies – a consequence of the primitive nature – CSR does not have a fundamental impact on citizenship, on people’s lives and is viewed as an incidental activity, largely geared towards self-promotion”.

• “In the more developed economies, despite wider and more systematic application of CSR (and considerable expenditures), some stakeholders criticised existing CSR initiatives – example, in South Africa – and felt that CSR did not fundamentally address social problems or foster equitable development.”

SAIIA (2013)
Implementation - negative aspects

Absence of a widely agreed framework on CSR which specifies minimum outcome-based standards of social performance.

CSR creates an enabling milieu for companies to pass themselves off as socially responsible - but

• Use of CSR as a tool of stakeholder management - to shape stakeholders’ perceptions
• Less concerned with meeting the demands for social accountability towards, and engagement with, community actors
• Concentrate on measures that further the immediate interests of the corporation, whilst also producing social benefits.
Implementation – **Positive** aspects

- CSR is a means of aligning the business interest with the broader public interest.
- Imposing a legal requirement of CSR of 2% remove the need for corporate decision-makers to reconcile the conflicts between public and private interests.
- CSR funding goes a long way to transform the lives of those who benefit from them.
- CSR funding has a multiplier effect which goes beyond the boundaries of the companies.
- Better than nothing
Positive

- Meeting a need – reduce poverty
- Broader Public Interest by corporates
- Society benefits – multiplier effect
- Statutory – levy

Negative

- Who decide
- Which activities
- How much to beneficiaries
- Guidelines – but no Measurement or Impact Appraisal
- Lack of Accountability - Reporting
Implementation – neutral aspects

• Many activities that companies undertake are both profitable and good for society. But even if these activities are classified as CSR activities, there is no real change in social welfare.

• Even to the extent that there would be a real increase in socially beneficial activities, the spending would not go to democratically determined priorities, but rather to whatever the companies prefer to emphasize.

• It is the government's responsibility to determine high-priority needs of society and target public expenditures in these areas. But CSR Funds are not ‘Public Funds’, as such.
Challenges
Activities – which priority areas?

• Difficult to define CSR for the purposes of expenditures.

• List of a few genres of CSR activities:
  • "eradicating extreme hunger and poverty,"
  • "promotion of education," and
  • "ensuring environmental sustainability."

• Too vague.

• CSR is an umbrella term
Challenges - Who decides?

Private Sector
- CSR is voluntary in nature
- Social Policy outcome limited
- Broader involvement of stakeholders
- Impetus for Positive Action in Society

Civil Society

Public Sector
- Mandatory CSR same as Tax
- Inherently contradictory
- Reduce poverty in a systematic and democratic manner
- Law set minimum standards
- CSR – too vague – umbrella term

Do recipients / beneficiaries have a say?

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Challenges - Who decide how to distribute?

• A mandatory expenditure is a tax
  ➢ If CSR is a ‘Tax”
  ➢ Government decides.

• Separate fund = a back-door way to increase corporate taxes since increasing the corporate tax rate will affect the country’s “attractive investment destination” business.
  ➢ Is Public sector unbiased, independent and not subject to political interference?
  ➢ Private sector has some say on how to spend the 2%
Challenges – successful engagement

• Swift (2001) argues that trust is important in facilitating interdependent relationships in which stakeholders are given a voice to influence corporate social behaviour for the welfare of society.

• In many cases (including Mauritius), companies and governments select a form of relationship and engagement with local stakeholders (e.g. employees, consumers, public, residents in a particular area) which is sometimes seen as being scripted, legalistic and opaque thereby potentially causing distrust and a perceived lack of accountability.
Improvement

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Business and social development

- Conditions / arrangements for contribution of Business to social development:
  - relatively **strong states** with a developmental vision and welfare orientation;
  - **social pacts** whereby business, the state engaged in **extensive national-level dialogue and negotiation** concerning how to reach national social and economic objectives;
  - **labour movements** and/or other social groups that acted as countervailing social forces;
  - **corporate elites** that were ‘socially embedded’ through their relations with local communities; and
  - the rise of ‘**managerialism**’ = degree of responsiveness to **societal concerns / strong ethos** about corporations acting in the public good.

Improvement - Policy level

• CSR is fundamentally an inspirational exercise, and it is very difficult to legislate aspirations.

• Though concept of CSR is controversial and experts do not even agree on how to define it, it is possible to set clear framework for goals, outcome/deliverables, timeline, measurement and accountability/reporting criteria.

• Though one cannot have an enforcement mechanism or penalties for non-compliance, one can have assessment and full disclosure (financial and non-financial) in terms of pre-determined criteria, which will impact the future of programme.

• Genuine commitment from the private sector to their social responsibilities is what has to be fostered, and risking the possibility of having companies limiting their CSR to nothing more and nothing less than what has been dictated by law is a non-desirable side effect.
National CSR Foundation set up and managed jointly by the public & private sectors

Transparency & Effectiveness => Control

What’s In?

Private sector - Companies free to allocate the 2% of CSR according to their own set of priorities.

Empowerment => liberal

What’s Out?
National CSR Foundation (2016)

• The new Foundation will be managed by a Board of Directors, comprising members from the public sector, the private sector and the civil society.

• Its key roles and functions will be:
  • Undertaking programmes and projects for the benefit of the vulnerable groups;
  • Allocation of CSR funds in line with specific guidelines;
  • Monitoring and evaluation of CSR Programmes; and
  • Serving as a platform for coordination and communication among all stakeholders.
b) Priority Areas of Intervention

- The purpose of having areas of intervention is to have a focused approach on the following:
  - Poverty Alleviation – targeting families in the Social Register of Mauritius (SRM);
  - Educational Support – targeting families in the SRM;
  - Social Housing – targeting families in the SRM;
  - Supporting persons with severe disabilities;
  - Dealing with health problems resulting from substance abuse and poor sanitation; and
  - Family protection i.e. protection to victims of domestic violence.
Reality Check - new Approach

• 2016 Budget decision to divert 50% of CSR contribution to a National CSR Fund is meant to 'ensure greater transparency and better outcomes'.
  • This can only be achieved if there is no political interference in the distribution process.
  • Government already provides for welfare out of funds from Tax – will public sector involvement bring greater efficiency?
    • If CSR is for families on SRM – then same families already on welfare!
    • Another ‘back door’ way to fund Ministry instead of through direct public investment?
  • NGOs’ involvement and actions curtailed (reduced to a share of 25% of CSR Fund).
    • Possibility of co-financing existing programmes which fit within the six priority areas.
Recommendations
Greater Transparency & better outcomes

• **Execution level**
  - Companies (Private Sector contributors to CSR Fund)
    - Integrated Reporting
    - Corporate Social Investment
  - CSR Activities / Programmes (including at NGO level)
    - Standards and Models for Appraisal / assessment, measurement, reporting and Training
  - Monitoring is as important as setting guidelines and directions.
    - Impact assessment
    - ✔ National CSR Foundation will monitor and evaluate programmes

• **Government and Policy**
  - ✔ National Goals (6 priority areas)
  - ✔ Direction
  - ✔ Framework
Examples of Models and Standards

- Accountability - AA 1000, Institute of Social and Ethical Accountability
- Global impact investing network (GIIN)
- ISO 26000: social responsibility
- London Benchmarking Group (LBG) model
- Social return on investments (SROI)
Examples of Models and Standards

<table>
<thead>
<tr>
<th>The Corporate Social Performance Model</th>
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<tbody>
<tr>
<td>Principles of Corporate Social Responsibility (CSR)</td>
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<tr>
<td>Institutional principle: Legitimacy</td>
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<tr>
<td>Organisational principle: Public Responsibility</td>
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<td>Individual principle: Managerial discretion</td>
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<tr>
<td>Processes of Corporate Social Responsiveness</td>
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<tr>
<td>Environmental assessment</td>
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<td>Stakeholder management</td>
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<td>Issues Management</td>
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<tr>
<td>Outcomes of Corporate Behaviours</td>
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<tr>
<td>Social Impacts</td>
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<td>Social Programmes</td>
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<td>Social Policies</td>
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Legal backing - Mandatory or not?

- Laws only set minimum standards; they do not create any impetus for positive action.
- Poorly enforced laws further undermine respect for the law.
- Thus it is important to decide what can be set as law / regulations and rules and what will in the form of guidelines and models.

Common Purpose + Clear Direction + Collaboration + Coordination + Commitment
Improvement – execution level

• **Appraisal:**
  • Regular appraisal.
  • Impact assessment.

• **Measurement:**
  • Output in monetary terms might be difficult
  • Other ways to measure the impacts (outcome / deliverables).

• **Transparency**
  • Reporting
  • Limit amount of funds spent on administration and overheads

• **Additional support:**
  • Trained Staff
Improvement - policy level

• **Coordinate with national and local development goals**
  • CSR should go beyond ad hoc philanthropic donations, but it should not usurp the role of government.
  • Critical for private sector to work with government to contribute to overall development priorities and build the capacity for government to support broad-based development.

• **Establishment of CSR training and skills development programmes.**
  • International Labour Organisation (ILO), German, Swiss and Swedish technical cooperation agencies and the WorldWide Fund for Nature (WWF).

• **International Standards**
  • Standards to provide a framework which governments adopt into law and companies then comply with as part of the conditions to operate.
  • Usefulness - provide guidance, models and tools as well as ensure recognition
  • Evolve to reflect local conditions and must not act as barriers that undermine business strategies, ability to create employment and must benefit local economies.
Conclusion

• Do we want to foster genuine commitment from the private sector to their social responsibilities or just compliance with the law?
• CSR is an aspiration and those who contribute must also have power of decision-making.
  • If Government control, then make it a Tax
  • But if a hybrid (mandatory in quantum with shared decision-making), then there must be a clearly defined framework, based on internationally recognised standards with regard to impact assessment - measurement and reporting.

• Regional
  • Greater collaboration at level of region – SADC
  • SDGs – Direction & common programmes
  • Training and skills development – implementation and appraisal
• People deserve nothing less – and want little more.
from: clairette <clairette@intnet.mu>

subject: Q&A

date: Sat, 13 Aug 2016 14:33:12 +0400
Kofi Annan @KofiAnnan

Business has a crucial role to play in achieving #SDGs. After all, no business can succeed in a society that fails.
Thank You

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