

The Need for Practical, Effective CSI

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ABSTRACT

Whereas improvements in the overall socio-economic position in South Africa are heartening, these should not blind observers to a reality for many people of severe deprivation and closed opportunities.

The reality of this being a country of “two nations” in the daily realities of our people cannot and should not be ignored. For the private sector, part of the answer to this challenge of our times must come through a greater commitment to effective corporate social investment.

Corporate social investment (CSI) is carried out across much of South Africa’s larger corporate sector and increasingly among smaller operators in the formal private sector as a fundamental part of business practice.

Although the SA private sector is a world leader in establishing professionally-run CSI programmes (with the earliest of these starting in the 1950s), most of the uptake in this activity has come post-1994, beginning with larger entities establishing grantmaking trusts and foundations, and now encompassing medium-sized businesses too.

The waste industry is, however, lagging in this activity even though there are reasons of immediate and long-term advantage to its embracing of CSI. When this is done, however, it could be in ways that are most effective, drawing on lessons already learnt elsewhere in the private sector.

These lessons must be shared and acted upon. One effective way of doing so is through the Merteck-supported Nation Builder programme.

SA CONTEXT

While there are many areas of sustained improvement in the socio-economic circumstances in which South Africans find themselves, it is also true that this is a country of “two nations”, those with opportunity, and those with far less.

The fact that many South Africans find themselves effectively locked out of any meaningful chance of reaching their economic potential in life is a consequence of many things, but a reality that cannot simply be accepted as an inevitably permanent feature of our lives.

The lock-out of so many people from opportunities enjoyed by others poses obvious dangers to social stability and is in any event morally unacceptable.

Consider these realities:

- By 2007, only 29% of black African children grew up in households of both parents (for whites the figure was 78%).
- The Presidency regards more than 80% of public schools to be “poor performers”.
- Teenage pregnancies rose 150% just between 2003 and 2008.
- South Africa has a higher education participation rate of only 19%. The participation rate in Latin America/Caribbean is 31%, in East Asia/Pacific 25%, and in North America/Europe 70%.
- SA has the highest measured internal inequality in the world, as measured by the World Bank. Our Gini Coefficient score is 0.63 (the Gini Coefficient is a score between 1 and 0, where 1 is a country where one person owns everything, and 0 a country where no-one owns anything).

- In SA's richest province, Gauteng, the non-profit African Children's Feeding Scheme finds that it has to feed 32 000 children every day.
- The national unemployment rate of adults, including those who have given up looking for work, is 36%.
- For black African females between the ages of 18 and 27, unemployment is over 60%.

CORPORATE SOCIAL INVESTMENT (CSI) IN SA

Part of the proper response to these challenges is found in the corporate social investment (CSI) practices of some in the private sector.

This CSI activity comes on top of these companies paying tax and engaging in their various other broader upliftment work, including through staff training and can be no substitute for such things. Nor should CSI be regarded as a greater good than the very fact of being in business in the first place.

Rather, the very fact of people coming together to run businesses, provide choices in products, compete in services and cost, and so to increase wealth, is the single biggest contribution that the private sector can make to progress. Paying tax and then additional things like CSI are necessarily also-rans, albeit important.

CSI background

This country's formal CSI activity can be traced to the formation in the early Fifties of Anglo American's chairman's fund, an institution still in existence, although accounting for only a small part of that company's CSI. Most companies that undertake CSI would only take up formal CSI programmes after 1994.

Impetus for this varies company-to-company and includes:

- The moral imperative whereby businesses feel it necessary to involve themselves in supporting community upliftment projects;
- Licence-to-operate conditions affecting some industries;
- Rewards offered in the dti's revised BBBEE Codes released in October 2013;
- Reputational gains assumed from being seen to be involved in community projects;
- Pressure from employees and their trade unions; and
- Direct marketing advantages.

The most complete picture of what is happening in South African CSI is that provided by annual surveys undertaken by consultancy Trialogue, published for the past 16 years. The results of current standing were published in late 2013.

A noteworthy result is that some companies are increasing their social investment spending beyond mere inflation-linked adjustments since the economic hiccups starting in 2008. Last year's spend, for example, is estimated at R7.8 billion, a growth of 8% on the previous year in real terms.

Most goes to education, followed by social and community development, then health. Almost 80% of companies with CSI programmes also run employee community development volunteer programmes. While 82% of surveyed corporates also work in other countries, only a third of them undertake CSI abroad, but all of them do so here.

Of course, there are big variances in who spends what, with financial services and mining spending the most (and mining houses tending to spend at a rate three times more than others, partly because of their licencing obligations).

However, the commitment to CSI is not to be found across the private sector, with the top 100 spenders accounting for fully 70% of all CSI and, on average. These companies put 1.4% of their net profit after tax into CSI.

Whether CSI goes to the right places is less easy to know. Most companies spend near their operations and there are resulting urban, and Gauteng, Western Cape and KwaZulu-Natal biases to this.

Moreover, while most companies monitor the activities that they fund through things like project site visits and their own reporting requirements, few try evaluating the effectiveness of projects supported.

These projects are mainly run by NPOs, 46% of which report increased funding in 2013; while 48% increased their staff numbers; and a further 35% held staff constant.

The main findings in detail

- South African companies directed nearly R8 billion in cash, goods and services to corporate social investment (CSI) in 2012/13.
- CSI support is currently the biggest single source of NGO income.
- Why companies choose to give to social causes is important. Doing so because of a moral imperative is mentioned by 84% of surveyed companies, with reputation management coming a close second (60%). Forty-four percent of companies considered the dti's broad-based black economic empowerment (BBBEE) codes. These codes call for 1% of NPAT to be directed to socio-economic development.
- Fifty-five percent of companies increased their CSI expenditure in 2013, while for another 20% their budgets remained the same.
- Companies' geographic footprints matter. Projects in Gauteng were supported by the largest proportion (65%) of corporate respondents in 2013, and garnered the second-largest share of funding (26%) behind projects run at a national level (which were supported by half of companies and received an average 31% of CSI funding). Although more than half of companies support projects in the Western Cape (52%) and KwaZulu-Natal (54%), these provinces draw an average of just 10% and 9% of CSI expenditure respectively.

HOW ARE NON-PROFIT ORGANISATIONS (NPOS) DOING?

Much of the country's welfare relief work is carried out by non-profit organisations (NPOs), along with critical interventions being carried out by these in such things as education, lifeskills training, and the like.

Although NPOs have not been compelled to register with the Department of Social Development (DSD) since 1997 in order to raise funds from the public, the fact that the number that have chosen to do so has shown a steady increase suggests that the true number of voluntary associations working to the common good has indeed mushroomed in recent years.

NPO growth in voluntary DSD registration

2008/09: 55 341

2009/10: 65 633

2010/11: 76 175

2011/12: 85 248

2012/13: 102 297

FUNDING OF NPOS

According to Trialogue, South African corporates were the top source of income for NPOs (representing an average of 23% of funding), followed by private individuals (15%) and the South African government (15%). Nearly 90% of all corporate respondents fund NPOs and over half of CSI spend is channeled to them.

Despite challenges, and common perceptions, the percentage of NPOs whose total income increased during the year grew to 46% in 2013, up from 33% in 2012. And 48% of NPOs reported an increased headcount in 2013.

REPUTATIONS ENHANCED BY CSI

As mentioned above, most companies say that their CSI is driven by a moral imperative. But most also bear reputation in mind.

In the 2013 Trialogue survey, corporate respondents rated Anglo American and Nedbank as jointly highest regarded for their CSI, followed by SAB Miller (second) and MTN (third). Those rated best by NPOs were Anglo American (first), Nedbank (second) and Old Mutual and Vodacom in joint third place.

SA WASTE MANAGEMENT INDUSTRY

As can be ascertained from the above and from additional research into CSI being conducted in South Africa, the waste management industry, varied in its parts but significant in overall scale, is a small player in national CSI (there are, of course, exceptions such as SAPPI).

Yet whether by force of increasing legislative, regulatory, consumer or other pressures, this is work in which the industry will increasingly find itself involved.

It may well choose to involve itself in ways that provide “win-wins” to both main parties in CSI: the waste industry operation in question, and its allied community project.

Examples that are well known include the Collect-a-Can non-profit company, waste recycling projects situated in youth projects (sometimes providing income to same and services to the industry while educating youngsters in waste management), and the like.

PRACTICAL IMPLEMENTATION ADVICE

Beyond the obvious reasons for company involvement in CSI, soon comes a realisation that effective implementation of this work can be exceedingly complex in that successful CSI projects are never fully under the control of any one partner and typically include company, community, government, NGO, or variants of this combination.

Nevertheless, effective CSI is a well-trod path and companies are well advised to consider basic lessons when deciding to undertake CSI professionally.

These “top tips” of what works best and what is less effective when implementing CSI programmes need to be sought out and adopted by companies entering the CSI field so as to avoid repeating mistakes that others have made and thus enjoying the benefits of lessons already learned.

These lessons typically include:

- How to establish a CSI function within the company and what elements must be incorporated for its success.
- Why it is wise to support community initiatives or institutions are already showing success, rather than simply responding to need.
- How to undertake pre-project community engagements that bring long-term cross-partner buy-in.
- Accepting the limitations of what a company can do on its own when working for social upliftment.
- How to make staff involvement in community projects most effective, and things to avoid.
- What to look for when choosing the most effective NPOs or community projects with which to work.
- The importance and practicalities of using effective project monitoring and evaluation

ONE WAY FORWARD – THE NATION BUILDER CAMPAIGN

While there is undoubtedly a need for a greater commitment by the private sector to broader social upliftment, it is true that the lessons mentioned above, and many others, are there for sharing between those who have been working in CSI for some time already, and those who are starting in this activity.

Indeed, open any regional newspaper in centres like Rustenburg, Nelspruit or Polokwane in any week, and you'll find reports on charitable intervention by local businesses. But do they really have to reinvent wheels of lessons long learned by more established CSI programmes?

They probably do, but shouldn't have to. That's the idea behind a campaign called "Nation Builder", launched and managed by the Muthobi Foundation of the Mertech Group.

The concept is simple, yet long overdue. It's to help channel the positive energy of CSI already happening in especially medium and smaller businesses into worthwhile action through encouragement, and by passing on and sharing learnings across the country.

Operated with little fanfare, it's a campaign that doesn't presume to have all the answers to challenges found in CSI, much less to judge people or to tell them what it is that they must do.

Rather, it provides a platform, a portal, for best practice social investment ideas, learnings, and practices that others can use in their own actions to the common good.

This initiative works off an understanding that there are tens of thousands of companies of all sizes in this country and a general eagerness among ordinary South Africans to assist their fellows.

This isn't wishful thinking - after all, a Barclays Wealth report puts South Africans as proportionately the world's second most generous people in giving to social causes – after Americans; Statistics SA reports that one-in-three South Africans made such donations in 2010; and the 2011 census tells us that that year saw 1,4 million South Africans undertake some or other form of voluntary community work.

So the willingness among ordinary folk, including in smaller companies, is there, and they're increasingly teaming up with similarly willing people in the private sector's other part - the non-profit sector.

The Nation Builder project is about sharing with especially these partners across SA what those in the long-in-the-tooth CSI sector already know about what works best, and what works less well. It does this through bespoke learning-sharing events, and through ongoing dissemination of practical tips to its members via weekly online updates.

To more tightly bind companies to this, these are encouraged to sign up as "nation builders" and to pledge to undertake their CSI in meaningful, thoughtful, long-term ways.

The campaign is run from the Pretoria offices of the Muthobi Foundation, itself a child of the Mertech Group. The latter is an investment holding company that, uniquely, sets 30% of its shares aside for causes that promote social upliftment.

While companies registering for the Nation Builder campaign are required to pay a nominal annual subscription fee for reasons of cementing their commitment to our common goals, these moneys are passed onto worthy NGOs identified by Muthobi. The Nation Builder campaign is expected to run for a number of years.

For more information on the Nation Builder campaign, visit www.proudnationbuilder.co.za.

SOURCES USED IN THIS PAPER:

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