

Corporate social and environmental responsibility

In South Africa different forms of corporate social responsibility (CSR) have been evident for many years. The nature and content given to these programmes were fundamentally shaped by apartheid. However, since the transition in the 1990s, and South Africa's re-integration into a global economy, new dynamics have come to the fore.

Under apartheid, the role of the South African corporate sector was always considered as controversial. Questions revolved around the extent to which industry benefited from the apartheid regime, or even played an active role in the establishment and reproduction of the system.

The emergence of corporate social responsibility

Corporate social responsibility was raised formally for the first time in the 1970s but gained momentum during the sanctions campaign against apartheid. Corporates responded by setting up voluntary initiatives. A prominent effort by especially US multinationals was the introduction of a code of conduct that became known as the Sullivan Principles. Only a minority of multinational corporations reluctantly embraced the Sullivan Code, essentially to head off disinvestment pressure from abroad. Some writers argue that the Sullivan Principles can be seen as a 'turning point' in 'vocabulary' corporate social responsibility in South Africa.

South Africa has had a tradition of corporate philanthropy since the early 1970s. David Fig recently presented preliminary research at a SWOP workshop on the shifts taking place in this area.

The 1976 Soweto uprisings led to the establishment of the Urban Foundation as a private sector initiative to address critical urban development issues in volatile townships nationwide. The late Harry Oppenheimer of Anglo American Corporation and Anton Rupert of Rembrandt led the initiative. From the 1970s to the mid-1980s more companies followed suit by setting up charitable trusts, partly to accommodate expanded community investment, but also for tax purposes. Tertiary education institutions were the main beneficiaries of these funds.

Whilst using the Sullivan Code to pressurise companies to recognise trade unions in the 1970s, the labour movement in apartheid South Africa was generally negative, and sometimes even hostile, towards corporate social investment programmes.

In the period leading up to the political negotiations, various economic think tanks

debated the future of the economy. There was general uncertainty as to what policy direction the new government would take. It is in this context that a trend towards expanded corporate social responsibility and investment programmes emerged. Following the elections in 1994, the new government embarked on a programme of legislative reform. This was met with growing opposition from business, especially in the area of labour market reform. Whilst using the language of the Reconstruction and Development Programme (RDP) to describe their responsibility programmes, on a broader level business aggressively started to lobby for an alternative developmental path to the RDP. By 1996 the RDP was sidelined in favour of the Growth, Employment and Redistribution strategy (Gear) and big business had established its hegemony in the realm of macroeconomic, industrial, and labour market policy.

As time went on government turned directly to business to help compensate for its diminishing capacity in numerous fields. This led to government appeals to business to help bankroll the fight against crime, inner city development, tourism promotion, and its hosting of the World Summit on Sustainable Development scheduled for September 2002.

Corporate environmental responsibility

While corporate social responsibility programmes were very much a product of the 1970s, corporate environmental responsibility only became prominent in the late 1990s. Corporate support to the environment traditionally took the form of support to nature conservation initiatives. The oldest environmental non-governmental organisation (NGOs) were organisations comprising concerned middle class whites.

Corporations' strategy to compensate

for their tarnished public images has been to provide grants to environmental projects, particularly in the sphere of conservation. Eskom, perhaps the country's heaviest polluter, supports projects with the Endangered Wildlife Trust helping birds to avoid being damaged by electricity pylons. Sappi, whose pulp mill at Ngodwana in Mpumalanga is a large-scale polluter, sponsors a project, which uses snout beetles to control alien plants in the river systems of KwaZulu-Natal.

Oppositional environmentalism began to emerge in the 1980s and took the form of issue-based campaigns such as opposition to the apartheid state's nuclear programme, where the organisation Koeberg Alert emerged; another campaign was set up to Save St Lucia, a wetland of international significance, from the threat of titanium mining. Organisations with broader aims, such as the Soweto-based National Environment Action Campaign and Earthlife Africa were founded in the 1990s.

This new wave of civil society organisations began to challenge the corporate culture of conservation agencies at national and provincial levels, arguing for the inclusion of rural communities as beneficiaries of conservation and nature tourism. These NGOs were not confined to conservation interventions, but also challenged industrial environmental malpractices in significant ways. Earthlife Africa took on numerous campaigns, including opposing the building of hazardous waste sites close to urban communities, the leakage of mercury waste into the environment at the Thor Chemicals factory in KwaZulu-Natal, and, together with Koeberg Alert, challenged the expansion of the nuclear industry. Other policy and advocacy groups took on environmental aspects of the mining, waste management, petro-chemical, energy

and genetic modification industries.

Corporate funding for environmental initiatives has itself undergone changes. The concerns of the new wave have in some senses been mainstreamed.

Traditional white membership organisations such as the Wildlife Society have taken up issues of sustainable development and community management of natural resources.

Corporates are thus more easily able to brand their support to specific environmental projects. The business sector is highly conscious of the state's limited ability to regulate. This allows corporate lobbyists to push for the recognition by the state for less formal regulation and more coregulation and voluntary initiatives. This has been evident in the negotiations around the National Environmental Management Act (NEMA, 107 of 1998). Some of the business lobbies have taken advantage of the state's more amenable stance. Whilst the BCSD-SA (formerly the IEF) promotes more sustainable approaches amongst its members, in representing their interests to government, it generally opts for legislation that is gradualist and avoids fundamental change. Its membership has not backed strenuous anti-pollution standards partly because it will compromise the very corporations, which are the country's greatest offenders in terms of air pollution.

Implications of social and environmental pressures

Along with its political transition, South Africa has undergone economic liberalisation. Its corporations have become global players and as such have to take global standards, codes, and customer preferences into account. South Africa's adherence to multilateral environmental agreements, and the hosting of the Rio+10 summit add extra pressures to

demonstrate greater conformity with international norms. Innovative industrial associations are arguing strongly for the merits of the triple bottom line.

Consumers and NGOs are increasingly exercising their watchdog roles, while investors increase their demands for more ethical and socially responsible corporate practices. All these factors will be shown to play a part in shifting corporate behaviour.

Corporate social investment as a South African concept

South Africa's peculiar history impacted on the way in which corporate social and environmental responsibility is understood. Industry representatives, who interpret the word 'responsibility' as an obligation imposed on companies with reference to past misdeeds, frequently reject the term 'corporate social responsibility' or CSR. In this sense, they often argue, the 'responsibility' of companies is to abide by laws and pay taxes. A much-preferred term is 'corporate social investment' (CSI). The history of apartheid has resulted in some companies embracing broader developmental objectives by means of social investment initiatives.

Following the 1994 elections, companies' CSI strategies changed to adapt to the new political imperatives. Corporate social responsibility projects became known as RDP-projects. This did not imply that the RDP, as a developmental programme, was supported universally by the business community. Although community-based projects were still being funded, a new emphasis on governmental alignment developed. This included a general shift towards a more strategic kind of CSI, whereby CSI funds were seen as seed funding for initiatives that would be self-sustaining once they were up and running. The incentive for this was to

decrease dependence amongst beneficiaries, including government, on corporate funding. A further emerging trend has been for companies to focus their funding on fields related to their core business. So, for instance, pharmaceutical companies have commonly specialised in CSI initiatives related to health. There has also been a greater emphasis on collective social investment initiatives, as epitomised by the National Business Initiative.

The emerging international discourse surrounding CSR has been invigorated and informed by that of sustainable development. CSR calls for a company to respond not only to its shareholders, but also other stakeholders (employees, customers, affected communities and public) on issues such as human rights, employee welfare, and climate change. Most significantly, whereas CSI or philanthropy has to do with how a certain amount of profits are spent on worthy causes, CSR is primarily about how those profits are made in the first place.

South African companies have the reputation of resisting outside interference in determining core business activity or corporate governance, seeing these elements as their own prerogative. It is apparent that this emphasis on 'add-on' strategic philanthropy might constrain South African companies' ability to respond to international demands for the incorporation of sustainability into core strategy.

On the other hand, South African companies' experiences with CSI might have benefited them in terms of a more sophisticated understanding of social development issues, as opposed to, say European companies, for whom social issues are a fairly new agenda.

Sustainable development

The concept of sustainable development was raised in 1987, when the World

Commission on Environment and Development (WCED), also known as the Brundtland Commission, published its report *Our Common Future*.

The WCED attempted to reconcile the concepts of environmental protection and economic development. The context was one of northern environmentalists arguing for minimising consumption, to cut back on natural resource use. In the South, the developing countries argued that reducing consumption was not the answer – instead overcoming poverty meant extending people's ability to consume. The Brundtland Commission tried to reconcile environmental protection with the economic development of the South. The concept of 'sustainable development' was seen as a bridge, since it permitted the notion of consumption within certain limits.

Simultaneously, the concept began to enter the debate around global governance as reflected in the deliberations at the UN Conference on Environment and Development, which took place in Rio de Janeiro in June 1992. The follow-up conference to Rio is entitled the World Summit on Sustainable Development (WSSD).

The concept began to be adopted for use by numerous international institutions. In South Africa the concept was given formal status within the 1996 Constitution. However, the concept remains imprecise and problematic. In the early 1990s it was often used interchangeably with the notion of 'sustainable growth' and implies continuous expansion of the gross domestic product (GDP), whereas sustainable development questions GDP as an adequate instrument for measuring development.

More recently the concept is being used as a synonym for poverty eradication. In the preparations for the WSSD in Johannesburg, some organisers have distanced themselves

from an understanding that the summit will deal with the environment. The participation of environmental organisations has been minimised. They are being seen as one sector amongst many others including education, women, youth, religious groups, and so on. This shift in the discourse is being endorsed by the business sector, which is being expected to bankroll the event.

Company expenditure

Research on actual spending is sketchy, since many firms prefer not to make figures available. A survey conducted in the early 1990s shows that the vast majority of CSI spending was directed at education programmes.

More recently, in 1998 the Centre for Development and Enterprise (CDE) conducted two surveys to ascertain levels of corporate social spending. The first survey of large and prominent corporations achieved a response rate of 34% (75 corporations). A second survey conducted randomly drew 545 corporations of all sizes.

The survey of large corporations found that about R580m was spent on corporate social responsibility programmes annually. The survey of smaller firms did not isolate sport sponsorships from CSI initiatives, and tended to be less reliable. However, the researchers found that smaller firms spend proportionally more on local welfare and benevolent agencies.

Based on a very rough generalisation (that includes sport sponsorships), the CDE researchers estimate the annual contribution of the corporate sector to CSI programmes at between R4bn and R5bn annually. This accounts for roughly 0,26% of turnover of large corporations, and 0,15% of turnover of small and medium enterprises.

Education still seems to be the main beneficiary of social spending. However,

spending priorities are changing and being redirected towards the areas of HIV/AIDS, as well as crime.

Conclusion

Historically speaking, the involvement of the corporate sector did play a role in the political transition and the demise of apartheid, motivated primarily by enlightened self-interest. Importantly, however, this history has played a significant role in informing the way South African companies engage with CSR issues. However, it is apparent that such general statements are very problematic. For instance, while some companies may have contributed to the political transition or urban development, other companies, or even those same companies in different instances, may have contributed to the mistreatment of labour or the environment.

Research has found that there are, indeed, increased expectations of business in South Africa. Interestingly, these emerge as a result of a complex interplay between local South African dynamics and the international discourse. There are also important pressures coming from government, especially related to BEE. Often, corporate voluntary initiatives are designed to pre-empt government regulations.

However, there are significant questions about whether these expectations and business initiatives result in actual improvements in performance. Our research has indicated the large gap between declarations and practice of large-scale corporations to ecologically sustainable development, for example.

This is an edited version of the full report report entitled 'The political economy of corporate social and environmental responsibility' presented by Fig at a recent SWOP workshop.