



General Manager of NOLIMIT, a Sri Lankan clothing chain, hands over sports equipment to the Mayor of Ratnapura Municipal Council, for the upkeep of the municipal recreation grounds.

## Corporate responsibility, philanthropy and development

### Insights for development partners: a Sri Lanka case study

#### Summary

The role of private companies in the development process has received increased attention in recent years. In addition to conducting their own development initiatives as part of internally run programmes, external partnerships with traditional development agencies can offer alternative sources of funding and support for development goals. Closer relationships with, and understanding of, the work of development agencies can also help companies to develop more relevant programmes that meet shared development goals. Theoretically at least, these benefits should spiral to enhance development outcomes for businesses and societies at large. However this argument has usually been made with reference to development programmes run by western multinationals, and little

research has been conducted into the activities of companies in middle- and low-income countries. Using Sri Lanka as an example, this briefing paper assesses the possible scope, benefits, and risks of partnerships with local privately-owned and publically-listed companies. As in other countries in the region, locally-owned and floated companies in Sri Lanka enthusiastically engage with development programmes. Yet reflecting local traditions of charitable giving and social engagement, much of what passes for this is *ad hoc*, unplanned, and unevaluated, and currently has little developmental impact. The briefing suggests that whilst corporate programmes may in the longer term offer effective vehicles and partners for development, important preparatory groundwork must first take place.

#### Key findings

- Sri Lankan companies enthusiastically engage with corporate social responsibility (CSR) and corporate philanthropy (CP) programmes. Of 260 companies surveyed, 100% engaged in CSR and CP activities of some form and scale
- The primary motivation of CSR and CP is 'poverty reduction' and the primary beneficiaries include employees, children and youth, social welfare organisations like orphanages and elderly homes, hospitals and health services, and veterans' charities
- Donations in cash and kind formed the bulk of CSR and CP activities, with some companies committing up to 20% of annual profits to a company foundation. Levels of staff volunteerism are also very high: 77% of companies surveyed said they encourage their staff to volunteer, although only 5% make time available during office hours
- However the vast bulk of C&P activity is often impulsive, highly personalised, ad hoc, and with little or no attention paid to the wants or needs of beneficiary groups or how to achieve effective poverty reduction
- 82% of large companies surveyed said they published formal CSR and CP strategies and plans, but this reduced to just 3% amongst smaller companies. 100% of large companies said they monitored their activities although only a handful had specific evaluation strategies for assessing impact
- Reflecting local cultural and religious gifting traditions and the current political climate, Sri Lankan CSR and CP risks reinforcing economic and social inequalities including forms of gender, generation, ethnic, religious, and class discrimination
- Nevertheless corporate leaders and CSR/CP managers are aware they can and should do more. There is scope for traditional development agencies to create partnerships and networks to achieve shared development goals and funding streams

#### About this policy briefing

This briefing paper was written by Tom Widger, R.L. Stirrat, Sarah Kabir and Filippo Osella and is a research output from the 'Charity, Philanthropy and Development in Colombo' project, funded by the ESRC and DfID ([www.charityphilanthropydevelopment.org](http://www.charityphilanthropydevelopment.org)).

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## The research

The research on which this briefing is based was conducted as part of a DFID-ESRC funded project. Field research was carried out in Colombo, Sri Lanka, in 2012-2013 and involved researchers from the University of Peradeniya and the Centre for Poverty Analysis in Sri Lanka working with staff from the University of Sussex in the UK.

A key objective of the research was to identify the role that indigenous philanthropy plays and can play in development. In contrast to the activities of major international development foundations, little attention has been paid to the developmental potential of indigenous charities (as distinct from NGOs) in the development process. The project sought to assess the degree to which charitable activity in Colombo is orientated towards development rather than other objectives and the extent to which charitable actions reinforce or subvert existing systems of marginalisation and impoverishment. Additionally, the research sought to identify how charitable resources can be more fully mobilised to achieve developmental goals and what has to be done to realise this potential.

Qualitative and quantitative research into corporate development activities was carried out in Colombo and its immediate environs. In-depth interviews were conducted with more than 50 corporate leaders and CSR managers. A quantitative survey of business perspectives and practices was administered to 260 private sector businesses, including multinationals, Sri Lankan corporates, and small- to medium-sized enterprises. Finally, a detailed case study of the CSR and CP policies, strategies, activities, and impacts of several leading large companies was undertaken.

## Drivers of corporate development initiatives in Sri Lanka

At global level corporations engage in development activities of various kinds. A simplified summary of the field includes: (1) corporate social responsibility (CSR) programmes aimed at limiting a company's environmental and social 'footprint' and promoting the 'triple bottom line' ('people, planet, profits'); (2) inclusive business programmes aimed at delivering shared benefits for the company in terms of profits and growth and low income communities in terms of employment and social protection; (3) bottom-of-the-pyramid (BOP) programmes aimed at developing goods and services for consumers in middle- and low-income communities that open new markets for companies whilst meeting local developmental needs; (4) social enterprise programmes aimed at running charitable activities using business methods to make them financially self-sustainable; and (5) corporate philanthropy (CP) programmes aimed at the alleviation of poverty and development challenges through gifts of corporate financial resources and expertise. A common thread running between these approaches is the belief that private sector initiatives offer 'win-win' solutions for companies and societies at large. By applying business strategies to development problems, companies can deliver efficient, effective, and innovative programmes for the alleviation of poverty and underdevelopment whilst increasing company profits. This argument is usually summarised as the 'business case' for corporate development programmes.

In Sri Lanka the field of corporate development programmes is dominated by CSR and CP, and only marginally by other approaches. There are two main reasons for this. The first is the slow dissemination of theories and practices from the global to the Sri Lankan context, for example due to the lack of a national platform for corporate development programmes. The second is the importance of local economic, cultural, and religious factors that shape the business environment, regulatory environment, and popular understandings of charity and philanthropy. The most common arguments used to 'sell' the business case for CSR and CP, for example an improved brand image, increased market or customer share, employee retention, mitigated regulatory risks, and reduced tax burden, are considered mostly irrelevant. The relatively small size of the corporate sector in Sri Lanka reduces competition between companies except in a

few key sectors (e.g. apparel and tea). Whilst CSR and CP can be used to offset taxes, reductions are small and difficult to claim. Thus corporate leaders pursue CSR and CP for a range of business, humanitarian, social, religious, and political reasons, none of which are easily separated from each other. Key amongst them is a sense of responsibility to employees and the poor along the lines of a 'patron-client' relationship, a belief that 'giving back' to society discharges religious obligations to the needy, and an awareness that being seen to contribute to national development goals can prove a company's patriotic or nationalist credentials and indicate support for the ruling party. If business benefits do accrue, it is because of reasons not usually associated with business case arguments: staff and customers feel beholden to their benefactors; deities look favourably upon generous companies; politicians award contracts to companies championing their cause.

## Forms taken by Sri Lankan CSR and CP

The meanings of Sri Lankan CSR and CP have an important influence on the kinds of activities undertaken. Companies prefer programmes that can be quickly achieved, easily measured, clearly publicised, and which benefit sections of the population defined as 'worthy.' One-off or annual gifts given in cash, kind, and time to children, elders, the sick or disabled, veterans' charities, and places of worship or religious festivals form the vast bulk of what companies identify as CSR and CP. Within this educational and health programmes are by far the most popular, and these almost routinely include donations of books to marginalised schools and donations of glasses to underserved urban or rural settlements. Alongside the 'schoolbooks and spectacles' approach of Sri Lankan CSR and CP exists a smaller range of what might be considered development projects. For example, some Sri Lankan companies seek to use inclusive business, BOP, and social enterprise models to support the emergence of entrepreneurial networks supporting core business functions, the design of products and services for low-income customers, and to support the lives, careers, and businesses of women or agricultural smallholder suppliers. What all but a very small handful of companies avoid is engagement with sections of the population defined as 'unworthy,' and politically sensitive issues: two things that are often conflated. At the top of the list is anything associated with peace and reconciliation or post-war reconstruction processes – unless conducted at the request

of, and in direct partnership with, the national government and security forces.

The political context of Sri Lankan CSR and CP is extremely important and reflects ethnic and religious tensions within the country. In the post-conflict environment, an increasingly combative Sinhala Buddhist nationalism and recent growth of anti-Muslim sentiment has made doing business in Sri Lanka potentially dangerous, especially for Muslims, who own some of the country's largest companies. The effects of post-war reconstruction and reconciliation processes on the one hand, and widening gulfs between ethnic and religious communities on the other, is shaping the forms taken by CSR and CP and the relationship between company activities, government interests, and nationalist projects. Thus corporate engagements in Sri Lanka can often take one or more of the following forms: (1) 'passive,' where projects pay lip service to nationalist sentiments but have no explicit nationalist objectives; (2) 'assimilative,' where projects display overtly nationalist commitments in the face of anti-nationalist/anti-patriotic suspicions and so attempt to appease governmental and nationalists' fears; (3) 'reactive,' where projects are launched with the intention of relieving specific nationalist threats; and (4) 'collaborative,' where projects

are conducted in direct partnership with government agencies, including the Army, and seek to engender specific nationalist functions and goals. Given the importance of these concerns in many corporate development programmes, Sri Lankan CSR and CP might better be understood as kinds of 'philanthronationalism' than 'philanthrocapitalism': i.e. the application of business thinking and methods to the promotion or appeasement of nationalist movements and demands. As processes of economic militarization gather pace in Sri Lanka, as witnessed through the army's recent expansion into tourism, agriculture, and construction, companies' abilities to demonstrate political commitments alongside social commitments is increasingly important.

### Scope for development partnerships

At global level, advocates of CSR and CP often stress changing relationships between state, market, and society to promote their cause. Repeating the neoliberal mantra that the 'roll back of the state and roll out of the market' creates need and demand for increased private financing of development, partnerships between traditional development agencies and corporations are heralded as

promising a bright new future. To facilitate this major donor organisations and development banks as well as international and national NGOs are working with the private sector to explore how partnerships and networks can be made more effective. At the global level this has been encouraged through platforms like the UN's 'Global Compact' and the development of ISO standards. Alongside these are a wide range of voluntary codes, competitions, and benchmarking systems offered by philanthropy, CSR, and sustainability intermediaries and platforms at global, regional, and national levels. However Sri Lankan CSR and CP in its current form would appear to offer little scope for partnerships with development agencies. Sri Lankan companies do not demonstrate much interest in the kinds of goals identified by donor and civil society organisations, nor in creating partnerships with other companies or development actors. While CSR and CP partnerships and development initiatives have been conducted in the past, most notably by USAID, these have tended to be short lived and ultimately subject to damaging political interference. Until approaches to CSR and CP change at the corporate and governmental levels, what is conducted in Sri Lanka will likely remain limited in terms of developmental impact and in some cases risk perpetuating poverty and conflict.

## Providing sustainable health services for low-income communities in Colombo

Whilst Sri Lanka boasts a well-developed national health service, government clinics are only open during office hours, pharmacies can be under-stocked, and waiting times long. Services in poorer urban neighbourhoods, especially those with large Tamil and Muslim populations, can be inadequate. Expolanka Holdings PLC has developed a network of health clinics in six low-income and ethnically diverse communities across Colombo and the Western Province of Sri Lanka. The 'Expo Medix' clinics are open in the evenings and provide free health checks by a general practitioner. Prescriptions, sourced from the government pharmaceutical company, are provided at a subsidised price. Since the programme began in 2010, 50,000 patients have been treated and several of the clinics are close to achieving financial self-sufficiency. Expolanka's CSR team expects the programme to become an example in how to develop health services on a social enterprise model in low-income communities.

The Expo Medix programme is interesting for a number of other reasons. Firstly, it demonstrates how effective Sri Lankan corporate development initiatives can be. Interviews with clinic users and residents in surrounding communities suggested the programme provides cost- and time-effective alternatives to free government care or expensive private care. Whilst the very poorest in the community still felt the subsidised prices were too high, the majority were prepared to pay a little extra for the convenience of after-hours services, especially as this meant not having to take time off work and losing pay. The fact government pharmacies were often under-stocked meant having to buy prescriptions at market prices. As and when clinics become self-sufficient it may be possible to provide free prescriptions for the poorest users.

Secondly, the Expo Medix programme has successfully built on local cultural and religious understandings of CSR and CP to achieve developmental outcomes. The programme fulfils the expectations of different stakeholders in different ways. For the company's Muslim chairman, the programme is an expression of sadaqah: a voluntary gesture of help for those in need that accrues god's blessings. By channeling this through the CSR team, the idea is transformed into a social enterprise model that aims for the 'best practice' label judged by the latest global standards. For Expo Medix's doctors and pharmacists, on the other hand, their (paid) time in the clinics is described as a form of 'social service': a personal commitment to the 'upliftment' of the poor. In this way, the programme illustrates how a range of philanthropic interests and needs can be encompassed within a single initiative.

# Policy implications

- The economic, cultural, and political context found in Sri Lanka means that developmentally-orientated CSR and CP remains an aspiration rather than a reality. This finding is not unique to Sri Lanka alone, and critics of corporate development initiatives point out that the promise of private development activities and partnerships often fail to deliver what they aim to achieve. The danger of CSR and CP perpetuating the causes of poverty and ethnic and religious conflict means attention should be paid to the meanings and forms of private development initiatives and how they might be transformed.
- Yet the enthusiasm for CSR and CP found at all levels of Sri Lankan society makes them important resources in the development process. Sri Lankan companies are prepared to commit large sums of money and staff time to the right projects. Crucially, many corporate leaders are aware they can

and should do more and this provides a useful foundation on which to build activities, partnerships, and networks. Fostering greater understanding of global development goals and the importance of socially diverse and inclusive processes should help to mitigate risks and increase rewards.

- More specifically, the limitations of the 'schoolbooks and spectacles' approach can be addressed through the encouragement of more effective ways of engagement that fulfill companies' social and religious obligations whilst having long term transformative effects. A place to start would be through encouraging companies to take the same approach to CSR and CP as they do any other aspect of their business activities. This should include companies deciding on and designing CSR and CP initiatives on the basis of clear project development and evaluation strategies and methods.

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