

## CHAPTER 2

### CONTEXTUALISING THE SOCIAL DEVELOPMENT LANDSCAPE

#### 2.1 INTRODUCTION

In Chapter 1 an overview of the fundamental driving principles of this study was presented. These driving principles, namely social development, business strategy and corporate social performance will be reviewed from a literature perspective in this chapter and the following four chapters.

The reason for entering the literature review section of the study through the social development landscape is because social imbalances and injustices specifically in South Africa and globally, instigated the origination of the whole field of corporate “giving”. It is therefore a logical starting point to create the literature context by offering key theoretical explanations on certain topics related to social development. These explanations will lend substance to the attempt to develop a framework for corporate social performance, the main objective of the study.

The changes that society is undergoing have taken many forms in recent years, ranging from the information revolution, child labour issues and increased environmental awareness, to demonstration against globalisation. They have permeated every part of society, including business. Social and environmental development issues as well as the whole global notion of sustainability have over the past few years been placed on the national agenda's of First World and developing countries worldwide. International forums such as the World Summit on sustainable development (WSSD), Global Reporting Initiative (GRI) and Global Compact regard the issue of social and environmental development as key determinants of global economic stability and sustainability. Social regeneration is therefore crucial and it is widely accepted by world authorities such as the United Nations, European Union and African Union as a key priority which demands attention by governments, the business world and civil society.

In South Africa, however, regenerating the social landscape only received attention post 1994. Social development has been on the national agenda ever since, and although the SA government has established a number of key interventions in addressing these social challenges, forming partnerships and aligning resources to deal with these challenges have not been successful (Skweyiya 2003). The social development / sustainability landscape is still largely divided between the three main stakeholders, namely government, business and civil society, hence the need to harness the collective efforts in fast-tracking social development in South Africa.

In summary, the social development landscape poses certain challenges in so far as the role of

In a recent article in Business Day (July 2002) a speech of President Thabo Mbeki, on society's responsibility to police expression of avarice was published. In his speech President Mbeki reported on the changing role of society globally and specifically in South Africa. He also recognized the truths about capitalism and the way in which capitalist economic goals become the dominant social value system. Mbeki however strongly suggests in reply to this that society represented by the state, should police and regulate the expression of avarice. In his speech strong emphasis was placed on the misperceptions, amongst the people of South Africa, on societal values driven primarily by capitalism and greed. His reply on this dangerous phenomenon was: "To respond to this immediate and real danger, we called for the reconstruction and development programme of the soul. As a country, we are engaged in a national campaign for moral renewal." It is therefore clear that societies' role in social development in South Africa will be mandated by the highest authorities which will have a strong bearing on transforming business' role in social development. With the recent fall of major multi national global companies such as Enron, Worldcom and Arthur Anderson, basically because of cracks in corporate governance, a watchful eye on ethical practices not only from institutional level, but also by the general public will become the driving value system in global socio-economic stability.

There is sufficient evidence globally that the social development landscape and more specifically social value systems are changing and that development activists world-wide are appealing for re-defining society's role in the global market place. During a speech by Kofi Annan, Secretary General of the United Nations, at the World Economic Forum in Davos Switzerland (1999), the following comment was made: "I want to challenge the leaders of the community to a step further. I am asking them to join me in a global compact of shared values and principles, which can give a human face to the global market". As far back as 1992 - the Rio Earth Summit's Secretary General, Canadian industrialist Maurice Strong argued that ...

(the transmission to) sustainable development is not just an option but an imperative ... It requires a major shift in priorities for governments and people, involving the full integration of the environmental dimensions into economic policies and decision-making in every sphere of activity...

This global partnership is essential to put the world community on a new course for a more sustainable, secure and equitable future as we "prepare ourselves for the twenty-first century" (Strong 1992).

In summary, the social development landscape poses certain challenges in so far as the role of business in society and the whole sustainability phenomenon are concerned. It is clear that the social development arena is characterized by multi-stakeholder involvement, all parties having an interest in improving social and environmental imbalances and contributing towards sustainability. The real challenge however will be to manage this intent in a productive manner in order to reach social development objectives.

## **2.2 SOUTH AFRICAN PERSPECTIVES ON SOCIAL DEVELOPMENT**

In the following section of Chapter 2, a literature overview is presented on developments, trends and challenges in the South African social arena.

### **2.2.1 Development update (1994 – 2000)**

In this section of the study an attempt will be made to offer a review on the government's and the voluntary sector's development delivery from 1994.

Everatt and Zulu (2001) analysed government's performance in delivering rural antipoverty aid programmes since 1994. They identified three main phases in the 1994 - 2000 period, and used three major development programmes to identify key successes and failings on the part of both civil society and government.

The three phases were as follows:

**The learning curve**(1994-1996). Defining direction, adopting community-based approaches, institutional arrangements, role clarification, etc.

**Innovation and refinement**(1996-1997/8). Evaluation of first phase, policy amendment, devolution of power, better data and improved targeting, greater outsourcing of implementation, etc.

**Delivery and stagnation?**(1998 - 2000). Delivery within existing frameworks and models, unresolved tensions between treasury and regulations and community-based development, high staff turnover, less excitement and innovation within many departments, danger of stagnation and reputation, etc.

The three programmes used in identifying key successes and failings were:

Community-based Public Works Programme (CBPWP)

Consolidated Municipal Infrastructure Programme (CMIP)

Poverty Relief and Infrastructure Investment Fund (PRIIF)

Everatt and Zulu (2001) further reported the following problems facing /rural development programmes:

- **Government** - battles within and between departments; role uncertainty on national, provincial and local level, etc.
- **Integration** - poor cross-departmental collaboration; no integration of government, parastatals, civil society and business, etc.
- **Delivery** - lack of maintenance strategy; overloading CBOs, etc.
- **Target group** - failure to provide training; failure to recruit youth, people with disabilities, women in rural areas; weak monitoring of projects, etc.
- **Monitoring and evaluation** - no monitoring culture, problems with monitoring systems; single department focus.

They also alluded to the critical success factors that deserve serious consideration in addressing the challenges of rural social development (Everatt & Zulu 2001).

- **Integrated planning and implementation** - the multifaceted character of social development requires a partnership approach whereby all stakeholders, government, civil society, business and donor agencies need to align and integrate effort.
- **Community-based development** - This is the most effective method of development. Local people need to become partners from the outset, participating in asset choice, planning, asset location decisions, worker selection and implementation management. Local community-based organisations make powerful partners.
- **Financial flows** - Need to be speeded up. Delayed payments in community work is fatal.
- **Facilitation** - Facilitation is a key social development principle. Through facilitation, interfaces could be provided between the community on the one hand and other stakeholders, i.e. government, business and donor agencies.
- **Proper targeting** - The identified social sectors (e.g. Youth, HIV/AIDS, Rural Women,

etc.) need to be properly targeted to focus and pinpoint allocations.

- **Monitoring and evaluation** - Systems need to be simple, accurate and rigorously analysed so that management decisions are based on sound information. Evaluators should be appointed when programmes begin so that they can provide ongoing inputs as the programme unfolds.

These guidelines offer some “check points” for any business to actively participate in community/ social development interventions. In an article by Pieterse (2001) on the critical role of institutional synergy and poverty reduction, he argued that one of the main reasons for limited success in challenging poverty, is institutional uncertainty and lack of rigour in defining specific foci that characterise most development organisations, inside and outside the public sector. Poverty is multidimensional and complex. It requires sophisticated responses, which in turn require us to radically re-think institutional practices and interfaces within the non-profit development sector, and between the state, private sector and civil society (Pieterse 2001). He emphasises the critical role of partnerships and urges any organisation/institution to become “more than themselves”.

The role of NGOs:

In an article written by Motlala and Husy (2001) on the role of NGOs in social development, specific emphasis is placed on the reason behind the efficiency of NGOs as key partners in social development. They reported four key advantages of utilizing NGOs in the developmental realm of society.

- They operate from a value base.
- They reach the poor, marginalized and most vulnerable people.
- They have the ability to identify and understand the needs of individuals and communities.
- They have great flexibility in implementing programmes.

Unfortunately in South Africa the potential of using and empowering NGOs has not nearly reached a level where NGOs are operating at full capacity with maximum impact. Lack of capacity, skills, uniformity in approach, coordination and ability to guarantee continuation of their inputs, are but a few limiting factors in NGOs reaching full potential. It was also noted that the state and private sector need to recognize and strengthen volunteer involvement in development delivery via NGOs. Furthermore an enabling environment for the flow of revenue to the NGO sector is long overdue (Motlala and Husy, 2001). It was found that many spending decisions are

irrational, in both economic and human terms, and do not promote development efficiency. The role of the private sector could be harnessed to the extent that “financial delivery” could realise through partnership with the NGO sector and the utilisation of NGO infrastructure.

#### Partnerships:

Most Banks in SA have an extensive branch network countrywide that could easily be utilised by both state and NGOs to facilitate delivery, both economic and human resources. Unless there is a mutual understanding between all partners of the value, benefit, feasibility and social developmental impact of the partnership as well as clear communication between them, the effort could be of limited value.

Ntsime (2001) reports that partnerships with existing structures, and the creation of new structures where needed, were critical vehicles for shifting the focus from a technical exercise to a developmental one. Ntsime also argues that the real challenge is to deliver high quality assets, within budget, and utilising a community-based approach, while managing partnerships between individuals and structures from very different backgrounds. What complicates the matter even more is especially when the role of the private sector is factored into the partnership. Fundamentally, a business operates on high quality and perfectly timed delivery which usually is the point of conflict in forming partnerships with the public sector and civil society. It therefore demands serious philosophical adjustments from all stakeholders to be able to ensure development delivery on a large scale.

#### Private sector and social development in S A :

In development circles it is a known fact that because of a lack of capacity and skills, facilitating partnerships were established entirely by private sector companies and consultants (Ntsime 2001). Facilitators came from a wide range of backgrounds, ranging from social workers to development practitioners. It is argued that there is indeed a space for NGOs to become more involved in facilitation itself, as well as possibly developing manuals and training for facilitators. If NGOs could be capacitated and empowered through assistance from the private sector, the probability of a higher level of social development could be achieved purely because of NGOs thorough understanding of community needs and dynamics.

The private sector also needs to mobilise its own human resources on volunteering principles when entering into the social development landscape. As much as capacitating of NGOs is needed it is strongly argued by Kraak (2001) that the volunteering philosophy within business deserves strategic thrust. This is where the usual caveats appear. Kraak (2001) argues that most corporate social investment projects are the preserve of large, image-conscious companies with

international profiles. He continues to report that medium- sized to small enterprises are probably as “mean-spirited” as ever. It is here where the voluntary principle could be utilized whereby staff in smaller organizations could be capacitated on a “matching” principle to do social development/community work. In other words, for every hour or rand amount that a staff member contributes, the company will match that (time or money) to inculcate a culture of voluntarism and establish real citizenship through real participation throughout the organization.

Leadership and organizational full capacity Concerned efforts are being made to improve Kraak (2001) further argues that the crisis in South Africa concerning the voluntary sector has less to do with the reduction of donor support than the sector's failure to read the changing funding environment. The sector suffers from poor leadership and lack of capacity, a consequence of its failure to develop and transfer skills internally. In short, he concludes by arguing that the voluntary sector in South Africa is mired in a culture of victimhood and entitlement (in relation to changed donor policies) and reverse racism and careerism (in relation to capacity building). Progress cannot be made unless a profound shift first takes place.

Progress in the right direction  
The solution to the lack of leadership referred to by Kraak (2001) falls within the sphere of the private sector. Although availability of capacity might be argued, financial and leadership availability seems to be present in most businesses. Harnessing these resources through sound management practices could be the answer to the concern expressed by Kraak (2002). It does however require a fundamental revisiting of company culture and value proposition to integrate the social imperative with the business imperative.

Positive progress (Everatt & Zulu 2001: 27-30):

**Regulation and monitoring**: Have now been improved to the extent that benefits are far more adequate for Non-profit Organisations (NPOS) to register in terms of the Non-profits Organisations Act.

**Tax breaks**: The Katz Commission recommended tax relief for NPOs specifically due to the recognition that was given to NPOs through recent fiscal control. The Income Tax Act of 1962 was accordingly amended. The amendment created a new category of “Public Benefit Organisations or known as organisations carrying out activities of “philanthropic and benevolent” nature.

**Partnership with government**: The most known, but unfortunately not widely regarded as successful interventions, were the Reconstruction and Development Programme (RDP) which was abandoned in favour of the Growth Employment and Redistribution (GEAR) Strategy.

Renewed focus has recently been placed on multipartner relationships and evidence of pressure being put on government to streamline these partnerships is for example when the South African National NGO Coalition (SANGOCO) entered into a political partnership with trade unions in October 2000 to place strategic emphasis on government's responsibility to institutionalise "smart" partnerships.

### 1.2.2 Corporate Governance

**Leadership and organisational (in) capacity:** Concerted efforts are being made to improve leadership from within the NPO sector with particular success (post 1994).

**Competing on the open labour market:** There is a clear move in the NPO sector that management, who in most cases were former activists, are now replaced by career-orientated professionals recruited from the open labour market.

**Professionalism:** Serious capacity building of the NPO sector is needed and there has been movement in the right direction.

In assessing the above progress in development, in all of the six points referred to, the private sector could play a critical role in speeding up the transformation of the NPO sector through strategic partnerships as well as focused attention and alignment on the social imperatives of South Africa. Recent developments from an institutional level suggest that addressing social development deserves macro-intervention through institutionalized bodies. The KING 2 Report on Corporate Governance as well as the New Partnerships in Africa's Development (Nepad) are but only two of a number of initiatives trying to harness all participants/ stakeholders' contributions towards social development.

In a recent article in Business Day (Marrs 2002) it was reported that the revised recommendations of the KING 2 Report on Corporate Governance released in March 2002 have been endorsed by the findings of a private survey of South African listed companies' governance, social responsibility and environmental management practices. The survey found that while many firms are taking steps to improve their corporate citizenship "most still have a considerable way to go to improve disclosure and realizing the gains (to) be made by addressing investor concerns". The survey reported that the company with the top score overall - including corporate governance practices, social responsibility and environmental management was South African Breweries (SAB) with 86%, followed by Stanbic and Old Mutual.

During the recent Nepad Conference (April 2002), business, academics and government delegates set up a committee to ensure there would be "tangible outcomes" from the partnership



(Katzenellenbogen 2002). Two of the organisers of the conference, Prof. Sibusiso Vil-Nkomo, Dean of the Faculty of Economic and Management Sciences at the University of Pretoria and Thami Mazwai, CEO of Mafube Publishing, co-chaired the body. One of the first tasks of the committee will be to look into the continent's infrastructure requirements.

### **2.2.2 Corporate Governance**

The following section of Chapter 2, an overview of the initiatives by the South African Government and other institutional bodies to govern and regulate the social, economic and political environment will be presented. Specific focus will however be placed on the social environment and associated initiatives to further explore the context of social development. Sir Adrian Cadbury defined corporate governance as

...a principle that is concerned with holding the balance between economic and social goals and between individual and communal goals ... the aim is to align as nearly as possible the interests of individuals, corporate and society (World Bank Report 1999).

Armstrong (2002) defines corporate governance as follows: "Corporate governance can be regarded as being about leadership: leadership for efficiency, for probity and for responsibility; "leadership which is both transparent and accountable".

Corporate governance in South Africa was institutionalised by the publication of the first KING report on Corporate Governance in November 1994. In order to briefly contextualise the KING 2 Report and specifically Chapter 5 dealing with non-financial indicators, the characteristics of good corporate governance include (IOD: Executive summary - KING 2 Report on Corporate Governance March 2002):

#### **Discipline:**

Commitment by a company's senior management to adhere to behaviour that is universally recognised and accepted as correct and proper.

#### **Transparency:**

The ease with which an outsider is able to make a meaningful analysis of a company's actions, its economic fundamentals and non-financial aspects relating to that business.

#### **Independence:**

Extent to which mechanisms have been put in place to minimise or avoid potential conflicts of interest that may exist, such as dominance by a Chief Executive Officer or large shareholder.

**Accountability:**

Individuals or groups in a company who make decisions need to be accountable.

**Responsibility:**

Behaviour that allows for corrective action and for penalising mismanagement.

**Fairness:**

The rights of various groups have to be acknowledged and respected.

**Social responsibility:**

Company is aware of, and responds to, social issues, placing a high priority on ethical standards. A good corporate citizen is increasingly seen as a person who is non-discriminatory, non-exploitative, and responsible with regard to environmental and human rights issues. A company is likely to experience indirect economic benefits such as improved productivity and corporate reputation by taking those factors into consideration.

Apart from the KING 2 Report on Corporate Governance, in transforming the way South Africa works, the democratic government has embarked on a number of programmes to closely monitor development and progress. Further objectives were for example to alleviate poverty, improve the standard of education, improve access to basic services and combat the HIV / AIDS crisis. Furthermore after the election of the first democratic government in 1994, measures to redress imbalances in the country were initiated. Amongst many acronyms configured over the years, the sentiments contained in BEE (Black Economic Empowerment), the RDP (Reconstruction and Development Programme) and GEAR (Growth Employment and Redistribution) have underpinned the local social development landscape from a regulatory and governance point of view. The following recent initiatives relating to corporate governance however deserve more explanation due to the direct link with social development.

**2.2.2.1 The KING 2 Report on Corporate Governance**

Chapter 5 of KING 2 Report on Corporate Governance, dealing with integrated sustainability reporting has specific relevance. In the Executive Summary, published by the Institute of Directors (IOD) in March 2002, the following regulations concerning sustainability reporting and organisational integrity/code ethics were published.

**Sustainability reporting:**

- (i) Every company should report at least annually on the nature and extent of its social, transformation, ethical, safety, health and environmental management policies and

practices. The board must determine what is relevant for disclosure, having regard to the company's particular circumstances.

(ii) Stakeholder reporting requires an integrated approach. This would be best achieved gradually as the board and the company develops an understanding of the intricate relationships and issues associated with stakeholder reporting. Companies should categorise issues into the following levels of reporting:

- First level would be disclosures relating to acceptance and adoption of business principles and / or codes of practice that can be verified by reference to documents, board minutes or established policies and standards.
- Second level should address the implementation of practices in keeping with accepted principles involving a review of steps taken to encourage adherence to these principles evidenced by board directors, designated policies and communiqués, supported by appropriate non-financial accounting mechanisms.
- Third level should involve investigation and demonstration of changes and benefits that have resulted from the adoption and implementation of stated business principles and / or codes of practice.

(iii) When making such disclosures, the board will be required to consider the following:

- Clarity on the nature of the disclosing entity, the scope of issues subject to disclosure, performance expectations as an integral aspect of the "going concern" concept, the period under review and the extent to which items disclosed are directly attributable to the company's own action or inaction.
- Disclosure of non-financial information should be governed by the principles of reliability, relevance, clarity comparability, timeless and verifiability with reference to the Global Reporting Initiative Sustainability Reporting Guidelines on economic, environmental and social performance.
- Criteria and guidelines for materiality should be developed by each company for consistency, having regard to international models and guidelines, as well as national statutory definitions.

(iv) Matters requiring specific considerations should include:

- Description of practices reflecting a committed effort to reduce workplace accidents, fatalities, and occupational health and safety incidents against stated measurement targets and objectives and a suitable explanation where appropriate. This would cover the nature and extent of the strategy, plan and policies adopted to address and manage the potential impact of HIV / AIDS on the company's activities.
- Reporting on environmental corporate governance must reflect current South African law by the application of the "Best Practicable Environmental Option" standard (defined as that option that has most benefit, or causes the least damage to the environment at a cost acceptable to society).
- Policies defining social investment prioritisation and spending and the extent of initiatives to support black economic empowerment, in particular with regard to procurement practices and investment strategies.
- Disclosure of human capital development in areas such as the number of staff, with a particular focus on progress against equity targets, achievement of corporate training and development initiatives, age, employee development and financial investment committed. This should also address issues that create the conditions and opportunities for previously disadvantaged individuals, in particular women's, to have an equal opportunity to reach executive levels in the company and to realise their full potential. It should include progress made in this regard, and mechanisms to positively reinforce the richness of diversity and the added value and contribution from this diversity.

**Organisational integrity / Code of ethics:**

- (i) Every company should engage its stakeholders in determining the company's standards of ethical behaviour. It should demonstrate its commitment to organisational integrity by codifying its standards in a code of ethics.
- (ii) Each company should demonstrate its commitment to its code of ethics by:
  - creating systems and procedures to introduce, monitor and enforce its ethical code;
  - assigning high level individuals to oversee compliance with the ethical code;
  - assessing the integrity of new appointees in the selection and promotion procedures;

- exercising due care in delegating discretionary authority;
- communicating with, and training, all employees regarding enterprise values, standards and compliance procedures;
- providing, monitoring and auditing safe systems for reporting of unethical or risky behaviour;
- enforcing appropriate discipline with consistency; and
- responding to offences and preventing reoccurrence.

### 2.2.2.3 Specifically responsible investment (SRI) in South Africa

(iii) Disclosure should be made of adherence to the company's code of ethics against the above criteria. The disclosure should include a statement on the extent to which the directors believe the ethical standards and the above criteria are being met. If this is considered inadequate there should be further disclosure of how the desired end-state will be achieved.

(iv) Companies should strongly consider their dealings with individuals or entities not demonstrating its same level of commitment to organisational integrity.

#### 2.2.2.2 The JSE / SRI Index

FTSE4GOOD is an index series for socially responsible investment designed by FTSE, one of the world's leading global index providers. FTSE4GOOD is a series of benchmark and tradable indices facilitating investment in companies with good records of corporate social responsibility. FTSE4GOOD is unique. There is no other socially responsible index quite like it. Independently defined and researched, FTSE4GOOD sets an objective global standard for socially responsible investment ([www.ftse4good.net](http://www.ftse4good.net)).

The FTSE4GOOD selection criteria cover three areas:

- Working towards environmental stability
- Develop positive relationship with stakeholders
- Upholding and supporting universal human rights

In South Africa a similar initiative is being formulated. According to Sean de Cleene (2002), Director of the African Institute for Corporate Citizenship, the Johannesburg Securities Exchange established an advisory committee on socially responsible investment (SRI). The JSE / SRI INDEX is envisaged as a benchmark index facilitating investment in companies with good records of corporate social responsibility ("CSR").

Based on the same three principles as the FTSE4GOOD a model of conduct is then proposed

as a tool for businesses seeking to act on commitment to the aforementioned principles. This model then provides a framework for selection criteria, which will be applied to ensure that only companies with good CSR records and practices in South Africa are included in the SRI Index. The advisory committee of the JSE / SRI Index is currently in the process of finalizing the principles, model of conduct and selection criteria, hence the exercise being in public domain at present. (see Chapter 6 for a detailed description of the JSE/SRI INDEX indicators).

### 2.2.2.3 Socially responsible investment (SRI) in South Africa

According to Cas Coovadia, General Manager Transformation : The Banking Council SA (2002), where the investor makes an investment decision based on social, ethical or environmental criteria as well as the more traditional criteria is a relevant issue for discussion and debate in South Africa. It is particularly significant in the light of black economic empowerment, corporate governance developments, the social and economic legacies of apartheid and international trends towards sustainable development and poverty eradication.

In a report by the African Institute for Corporate Citizenship (2002), SRI is defined as “investment that combines investors’ financial objectives with their commitment to social concerns, such as social justice, economic development, peace or a healthy environment” or as “the practice of making investment decisions on the basis of financial and social performance. The report has been written for the following reasons:

- To stimulate debate on SRI and its value to South Africa;
- To raise awareness of SRI;
- To encourage the consolidation and expansion of SRI in South Africa; and
- To examine the SRI opportunities that exist for South African financial companies.

The SRI report resulted in the following key recommendations. Several key changes are required for South Africa’s SRI sector to advance. Of central importance are the following:

- The term SRI needs to be defined in the South African context. This definition must be agreed upon by all, which implies reaching consensus by a wide range of stakeholders.
- The definition of empowerment needs to be re-examined and a broader interpretation used in line with the principles of NEPAD and sustainable development.
- Standards and benchmarks in addition to the SRI index must be developed to provide the industry with measurable criteria with which to assess the merit of a particular investment and to measure its success in society.

- An industry forum should be formed which will facilitate the exchange of information, the consolidation of the sector and the development of SRI products, amongst others.
- The merits of prescribed asset allocation versus the introduction of pension fund disclosure regulations, which require trustees to disclose if they have a social policy when making an investment, must be debated.
- The financial sector needs to start integrating the concepts of corporate governance, corporate citizenship and sustainable development into its thinking and acting.
- Finally, the importance of the country's transformation agenda is not reflected in the amount of funds flowing into SRIs - this needs to be urgently addressed.

According to De Cleene and Sonnenberg (2002), with the growing emphasis placed on corporate governance, corporate citizenship and the World Summit on Sustainable Development (WSSD), the time is right for advancing SRI in South Africa. This will require all stakeholders to consider and debate the meaning of terms such as empowerment and sustainability. A broader mandate for SRI will secure its place in the financial mainstream and possibly lead to a turn around in the returns investors have been receiving from their SRIs.

#### 2.2.2.4 Sustainable banking in Africa

De Cleene and Blumer (2002) argued that given the prominent intermediary role that banks have in Africa, their potential, influence and ability to contribute towards the promotion of an appropriate sustainable agenda is significant. With the WSSD that was held in Johannesburg in August 2002, it is imperative that the African finance sector take cognisance of both international issues, as they relate to the sustainable development agenda, and to how that agenda can be progressed in a way that is appropriate to the African financial sector. With the increasing globalization and complexity of day-to-day business practices, this means that companies are also coming under growing regulatory and societal pressure from a wide range of stakeholders to address demands for responsibility, sustainability and accountability.

According to De Cleene and Blumer (2002), banks therefore play a critical role in creating an enabling environment by promoting sustainability both through their own practices and by encouraging sustainable practice within the broader business community.

They propose the following four approaches to sustainable banking:

- **Defensive banking** - a non-active approach to sustainable development, and in many cases blocked attempts to engage with stakeholders on a range of sustainability issues.

- **Reactive banking** - which considers sustainability in relation to certain internal processes such as environmental management and credit risk assessment. Often banks adopting such an approach only react to sustainable development issues once they have gained significant public and governmental attention.

- **Proactive banking** - considers the external elements of sustainability through the signing up of various international chapters and continually looks for win-win solutions with a range of stakeholders in ways that promote sustainable development.

- **Sustainable banking** - will take the win-win philosophy one step further engaging in an approach that integrates sustainable development with the core business strategy. Developing a range of products that promote sustainable development and socially responsible investment, while using its role as an intermediary to promote long-term change. Examples of this might include reduced rates of interest on borrowed capital in favour of companies actively promoting sustainable development, significant microcredit programmes and partnerships, debt for nature/social upliftment swaps, innovative and socially responsible programmes to bring banking facilities to those who previously did not have access to such facilities, venture capital for projects supporting sustainable development initiatives.

It is proposed by the African Institute of Corporate Citizenship (AICC) and the United Nations Environmental Programme : Finance Initiative (UNEP:FI) to, in a research exercise planned for the second half of 2002 to specifically focus on sustainable banking in Africa. South Africa is known for its sophisticated banking systems and particularly its distribution networks. By mobilising the branch network of for example ABSA Bank in SA (approximately 600 branches only in SA) through utilisation of their infrastructure (e.g. staff, time, expertise, physical structures, etc.) a significant impact could be made on social needs of communities in and around these branches, especially in rural areas.

Finally the aims and objectives of the sustainable banking report include the following:

- Define sustainable banking within an African context.
- Generate an awareness of sustainable banking within the finance sector in Africa.
- Determine what the key drivers for sustainability are for the finance sector in Africa.
- Examine a range of opportunities that exist for the banks operating in Africa.
- Profile sustainable banking in five different African countries.



- Provide a document that is accessible not only to those working in the financial sector but who are engaged with the sector in its various capacities.
- Determine what strategies can be applied to develop the sustainability agenda in a manner that is appropriate in the African context.

Although the governance implication is not viewed by De Cleene and Blumer (2002) as an objective of the report, the social development landscape in SA might naturally force governance onto the SA banking inter alia the KING 2 report.

#### 2.2.2.5 The corporate citizenship benchmarking initiative for South Africa

Due to a general lack of research reports on corporate citizenship in SA, a logical step was to do a baseline assessment in the form of benchmarking the current state of corporate citizenship in SA. The AICC and Triologue (publishers of the CSI Handbook in SA), therefore decided to launch a joint venture to develop a framework for assessing corporate citizenship in SA (2002). The model will then be applied through research with representative and forward thinking companies, culminating in a report on the state of corporate citizenship in SA. This founding report will provide the guidance for corporate business to make good corporate citizenship a core part of strategic thinking.

According to Rockey and De Cleene (2002) the process flow of this exercise will include the following:

- The research process is comprehensive, yet unobtrusive. The company will appoint an internal coordinator who will assist in setting up interviews with management. The company review process could be completed within three days with individual managers normally allocating only one hour of their time.
- Feedback from the company benchmark process remains confidential to that company. The feedback will highlight areas of relative strength and weakness and explain reasons for the rating. This information along with the benchmarking will only go to the company itself. The rating will however be combined with that of other companies, to show an aggregated response for the whole research sample, or a sector where this appropriate.
- The project is unique to this country. It serves a completely different role, yet supports other initiatives that may have some link with corporate citizenship. Key differentiating

points of the Corporate Citizenship Management Rating (CCMR) model are:

- It caters for South African business, covering issues such as BEE and HIV / AIDS that receive less prominence in developed nations. However, international developments in the areas of investing, reporting, and measuring have been considered.
- It is a measure of inputs (or activities), as opposed to an output-based “perspective” model. This makes the exercise measurable, repeatable and extremely useful as a management tool.
- It provides a holistic benchmark, including but going beyond, corporate governance or “triple bottom line” issues.
- It goes beyond the measurement of practices and reporting, to look at “embedment” (adoption) and integration of these practices.

Section 2.2.2. of this chapter dealt with corporate governance issues. An attempt was made to report on current initiatives relating to corporate governance and specifically the non-financial elements in corporate governance. It could therefore be argued that the social development landscape is increasingly characterised by a sense of regulation in order to pave the way for social measurement/auditing and reporting purposes.

### **2.2.3 The role of the South African government**

The next section of Chapter 2 will deal with the role of the SA government, and more specifically the Department of Social Development (DSD). Although the Departments of Finance, Labour, Health, Trade and Industry, Education, Land Affairs and Home Affairs all play an equally important role in addressing the overall social development landscape in SA, the focus will be on DSD and the National Development Agency (NDA).

#### **2.2.3.1 Department of Social Development**

Over the past two years, in his portfolio, the Minister of Social Development, Dr Zola Skweyiya, has travelled throughout the country seeking to understand South Africa and the socio-economic challenges confronting South Africans, particularly the poor, socially excluded and children. In reaching out to these communities, the Minister soon found that there where two realities, i.e. the religious sector is at the forefront of poverty eradication struggles, and that the business sector has made significant inputs in social development. The Minister and his department, in recognition of these realities, sought firstly to strengthen and collaborate with the religious sector in social development. Comfortable that the former was beginning to be addressed, the Minister began to consult with individual business leaders, who all reiterated this commitment to creating

a better life for all, but were all concerned that government efforts were not integrated with those of business.

In partnership with some of SA business leaders in particular Raymond Ackerman and Cyril Ramaphosa (who serve as patrons to the initiative), the Minister decided to embark on a new approach which would seek to build a meaningful critical mass that would culminate in reaching millions of South Africans who continue to bear the brunt of poverty, social exclusion and social skills.

A business roundtable was facilitated (19 April 2002) at which discussions between government, business and civil society were held towards creating a common vision. It also sought to create a united business and government voice in so far as social development is concerned, whilst identifying impeding factors and possible links in pursuing partnerships (Skweyiya 2002).

During the Roundtable (19 April 2002), the following principles were endorsed by all the stakeholders attending the forum:

- Creation of a common social development vision, as informed by the priority areas
- Integration of efforts and resources by all stakeholders
- Ensuring community involvement
- Sustainability of interventions and initiatives
- Social custodians - involving employees to participate in community activities
- Information sharing of challenges and success stories
- Benchmarking through baseline measurement as well as integrating ordinary people's voices into the baseline assessment
- The role of civil society, particularly the religious sector
- Value for business, with regard to social intent vs marketing intent
- Managing the interfaces between all stakeholders in a manner that makes a meaningful impact in the shortest time possible

These principles were seen as informing the critical success factors of the partnership so that any partnership initiative in this context, would be measured against these core driving principles.

In the DSD annual report (April 2000 - March 2001) the department identified the following priority areas and goals for the period 2000 / 2001 to 2003 / 2004.

(i) **Social Security**

- Provide an affordable, accessible comprehensive social security system that

prioritises the most vulnerable households

- Improve the coverage and delivery of current social assistance benefits
- Improve the efficiency and integrity of the social security system

(ii) **HIV / AIDS**

- Mitigate the social and economic impacts of HIV / AIDS on vulnerable groups
- Contribute to reducing the prevalence of HIV/AIDS amongst vulnerable groups (women, youth and children)
- Develop sound policies and programmes on HIV/AIDS through research and use of information on population and development

(iii) **Poverty reduction and integrated development**

- Contribute to reduction in levels of abject poverty in the poorest communities in the country
- Contribute to development and implementation of national integrated plan on food security for children 0 - 18 years
- Develop sound policies and programmes on social integration through research and use of information on population and development

(iv) **Social integration**

- Promote and protect the rights of the poor, women, children, youth, older persons and persons with disabilities
- Ensure integrated services to women, children, youth, older persons and persons with disabilities
- Develop sound policies and programmes on social integration through research and use of information on population and development

(v) **Sectoral reform**

- Eliminate racial and geographic discrimination in distribution of resources and service delivery in the social development sector
- Enhance the capacity of the national and provincial departments to respond to the social development challenges
- Enhance governance and co-operative governance in the social development sector

(vi) **Transformation of department**

- Transform the structure, systems, human resources and organizational culture to

improve service delivery and communicating effectively with relevant organizations and communities

The above focus areas indicate government's intent from a social development perspective. From a national perspective, these objectives are key determinants of social performance in South Africa. These determinants or indicators are critical elements for the business sector to bear in mind in compiling their social development strategy. It also emphasises the need in the macro-environment from a policy point of view, to integrate government intent with corporate social investment, hence the need for a framework that will cater for the needs of business, government and civil society.

### 2.2.3.2 The National Development Agency (NDA)

The NDA emerged out of recognition of the importance of seeking consensus on major development policies to ensure transformation of lives of the South African population (NDA Report 2002).

In May 2000 the NDA took over from the Traditional National Development Trust (TNDT) to execute a mandate to partner with the South African government and civil society to eradicate poverty in the country.

In the same report it was mentioned that the NDA process involved debates, discussions and negotiations by a range of interested parties which include the government, the civil society, non-governmental organisations, the private sector, the funding community and various other interest groups and formations. It was also reported that with support from the government and the European Union, the NDA board made significant decisions in mapping out the strategic direction that was to forge a way to mobilise resources and leverage on existing structures of both government and civil society to meet the long-standing needs of the South African development and poverty situation. The strategic intent of the NDA is to support government and civil society development action. The NDA has a responsibility to ensure that it fulfils its role as defined by the NDA act.

These objectives are:

- funding - disbursing and focusing funds on poverty-stricken areas;
- capacity building - developing and implementing a capacity- building model aimed at improving competency of civil society organizations;
- research and policy - building a culture of knowledge generation and management as well as establishing an innovative internal research capability with external links; and
- policy dialogue - leading and influencing external policy and public debate on poverty

eradication as well as engaging and communicating effectively with relevant organizations and communities.

The report included the main aims that the NDA would like to achieve:

- To become highly responsive and proactive to the development needs of poor communities in the country
- To successfully build up the leadership, technical expertise and management capabilities required to deliver on the NDA mandate
- To promote knowledge management and information-sharing within the development sector
- To build institutional capacity and support civil society organizations working in the area of poverty eradication
- To develop efficient information and communication systems that ensure accessibility by all stakeholders
- To ensure a speedy and efficient flow of funds to project partners; and
- To function with high level of transparency and integrity

Funding for projects on social development is available not only from NDA origin, but considering the annual spend (2001) on social investment by the S A corporate sector (R2 – R3 billion), also from the business community (CSI Handbook 2002). Very few institutionalised efforts unfortunately exist to harness the available funds in order to fast-track social development in South Africa. This again calls for a serious attempt in public / private partnership and integration of social development between all interested parties in South Africa as well as ensuring that this partnership philosophy is driven as a priority of the national agenda. The last 18 months of South African history are characterised by significant attempts by government to address the social challenges of the country. The need however to form partnerships between all stakeholders to integrate effort and maximise true benefit for the most vulnerable in society is great. The next 12 to 18 months will have to produce success stories and benchmarks in multisector partnership to address the social challenges of South Africa.

### **2.3 GLOBAL TRENDS IN SOCIAL DEVELOPMENT**

In this section of Chapter 2, a literature overview will be presented of three global initiatives that form an integrated part of global social development.

#### **2.3.1 The world summit on sustainable development (WSSD)**

The WSSD that will be held in Johannesburg during August / September 2002 could certainly be

regarded as a milestone in the history of South Africa. In a statement made by the United Nations Secretary General (June 2002), Kofi Anan commented on the fact that the special needs of Africa were clearly recognised by all leaders when they met at the UN two years ago at the millennium summit, at which the leaders of the G8 (Group of eight) have pledged their support for NEPAD - the New Partnership for African Development. NEPAD provides a framework for ending conflicts, for stemming the flow of refugees and internally displaced persons, and for improving the investment climate, a prerequisite for sustainable development on the continent.

*Establish a voluntary world solidarity fund to eradicate poverty in developing countries.*

The summit was held in Johannesburg, South Africa, in the heart of a region acutely affected by poverty, HIV / AIDS and terrible drought. Anan reported on the urgent need to bring humanitarian relief to people in acute distress, and the UN and the donor community are doing their best to help provide the assistance. Background on sustainable development is as follows:

- Thirty years ago the world community gathered in Stockholm for the first UN conference on human environment.
- Ten years ago the international community again gathered for the Earth Summit in Rio de Janeiro. During this summit a breakthrough was achieved whereby environmental factors would be integrated with economic and social issues and become a central part of the policymaking process. In adopting Agenda 21, a blueprint for sustainable development, rich and poor seemed to have agreed on a common vision for growth, equity and conservation over the longterm.
- Developing countries unfortunately have not gone far enough in fulfilling the promises they made in Rio - either to protect their own environments or to help the developing world defeat poverty.
- In August / September 2002, at the WSSD in Johannesburg, an attempt was made to restore the momentum that had been felt so palpably after the Rio Earth Summit. The Johannesburg summit aimed to find practical ways for humanity to respond to both social development challenges - to better the lives of all human beings while protecting the environment.

The Johannesburg Summit brought together 21 340 participants, representing 191 governments, NGOs, the private sector, civil society and academia (The 2003 CSI Handbook). The key outcomes of the 2002 World Summit on Sustainable Development (people, planet and prosperity) were as follows (The Star, 4 September 2002):

Stakeholders have drawn varying conclusions about the success of the 2002 World Summit on Sustainable Development. Through a process that generated as much heat as light, the consensual agreements of delegates are presented in two documents: a Political Declaration and

a Plan of Implementation. The plan is designed to make reality the Summit's goals of poverty eradication and environmental protection. Some of the salient agreements and targets are listed below:

#### **Poverty eradication**

- Halve the number of the world's poor living on less than \$1 a day by 2015
- Significantly improve the lives of at least 100 million slum dwellers by 2020
- Establish a voluntary world solidarity fund to eradicate poverty in developing countries

#### **Health**

- Reduce HIV prevalence in young people by 25 per cent - in affected countries by 2005, and globally by 2015
- Reduce infant and child mortality rates by two-thirds and maternal mortality rates by three quarters by 2015
- The WTO accord on patents should not prevent poor countries from providing medicines to all

#### **Water and sanitation**

- Halve the proportion of people without safe drinking water and basic sanitation by 2015

#### **The environment and management of the natural resource base**

- Cease destructive fishing practices and establish marine protected areas and networks by 2012
- Maintain or restore depleted fish stocks to levels that can produce the maximum sustainable yield by 2015
- Achieve a significant reduction in the rate of biodiversity loss by 2010
- Promote studies of heavy metals that are harmful to the environment
- Develop a 10-year plan to ensure goods are produced and consumed in ways that do not destroy the environment

#### **Chemicals**

- Produce and use chemicals that do not harm human and environmental health, by 2020
- Support phasing out of lead in petrol, paint and other sources



- Renew commitment to sound management of chemicals of hazardous wastes throughout their life cycles
- Encourage countries to subscribe fully to the new chemical classification and labelling system by 2008

### Energy

- Agree on voluntary regional and national targets to diversify energy supply and substantially increase access to renewable energy sources such as solar, wind and wave energy
- Improve access to reliable, affordable and environmentally sound energy for the world's poor
- Remove market distortions, including restructuring taxes and phasing out harmful subsidies

### Education

- Ensure access to a full course of primary education for all children by 2015
- Eliminate gender disparity in primary and secondary education by 2005

### Sustainable development for Africa

- Support the full implementation of NEPAD - the New Partnerships for Africa's Development
- Improve sustainable agricultural productivity and food security and halve the proportion of people who suffer from hunger
- Secure rural people's access to energy for at least 35 per cent of the African population within 20 years.

In summary, for South Africa, the Summit exposed the public to the concepts of sustainability and elevated the sustainability agenda for government, the business sector and civil society. On the global front, the Summit reaffirmed the following (UN/DESA September 2002):

- Sustainable development as a central element of the international agenda and give new impetus to global action to fight poverty and to protect the environment
- The understanding of sustainable development was broadened and strengthened, particularly the important linkages between poverty, the environment and natural resources
- Governments agreed to a wide range of concrete commitments and targets for action to achieve more effective implementation of sustainable development objectives

- Support for the establishment of a world solidarity fund for the eradication of poverty
- Africa and NEPAD were identified for special attention and support by the international community to better focus efforts to address the development needs of Africa
- The views of civil society were given prominence in recognition of the key role of civil society in implementing the outcomes and in promoting partnerships. Over 8 000 civil society participants attended the summit
- The concept of partnerships between governments, business and civil society was given a large boost by the summit and the plan of implementation. Over 220 partnerships (with \$235 million in resources) were identified in advance of the summit and around 60 partnerships were announced during the summit by a variety of countries

Finally, the Summit aimed to produce 3 elements:

- a political declaration agreed at the highest level
  - a negotiated implementation plan, including a decision on governance
  - recognition of "Type 2" partnerships and initiatives (non-negotiated, voluntary commitments, agreed between different actors at the WSSD)
- (Mail and Guardian September 2002)

Zadek (2002) however argues that these partnership building demands for accountability. He suggests two starting points:

- To extend current work on corporate disclosure to embrace partnerships, particularly emerging standards for reporting (GRI and AA1000 Assurance Standard).
- To promote a clear sense of what is good partnership governance. This would require a hard look at accountability issues for each partner as it relates to the collective partnership endeavour, as well as for the partnership itself.

Although partnerships can make a real contribution towards sustainable development, Zadek (2002) therefore argues that this requires honesty, leadership and innovation in facing the matter of their accountability. This will ensure the legitimate place of partnerships in an effective development process.

### **2.3.2 The Global Compact**

When the Secretary-General of the United Nations Kofi Anan invited the international business community in January 1999 to enter into a global compact with the UN and civil society, he articulated a vision of a more sustainable and just world with partnership as its cornerstone. More than two years later some 300 enterprises worldwide have lent their support to the Global

Compact and the core values embodied in its nine principles covering human rights, labour standards and environmental practices. Together with the UN Office of the High Commissioner on Human Rights, the International Labour Organization (ILO) and the UN Environment Programme, more than 10 leading non-governmental organization (NGOs) and labour groups are taking part in the Global Compact.

*Creating peace, security and stability*

The essence of the Global Compact is a call for joint action by business, civil society and the UN based on shared values and learning. African enterprises and their social partners have important roles to play in this process and in Africa's ongoing development. The quest for mutually beneficial human relationships represents the essence of the Global Compact. Ensuring that enterprise activities in Africa are compatible with both social and ecological needs is what the Global Compact process is all about.

*Eradicating poverty and enhancing the quality of life*

In mapping the agenda for the Global Compact in Africa, it is important to consider the economic opportunities and constraints facing African enterprises in the efforts to integrate principles on human rights, labour standards and environmental sustainability into their core business (Murphy 2001).

*Forming awareness campaigns to combat disease*

Within their spheres of influence, African enterprises are well placed to support community and civil society efforts to protect and uphold human rights, worker welfare and environmental protection. The Global Compact offers African business leaders a powerful tool to promote human rights and antidiscrimination policies in the workplace. There would also appear to be considerable scope for using one of the Global Compact's forums - the Global Issues Dialogue - to address the impact of the colonial and apartheid legacies on contemporary efforts to implement the Global Compact principles. African countries have a number of the key economic, social and political ingredients in place to enable both African and multinational enterprises (MNEs) to begin to implement the principles of the Global Compact in Africa. Without economic openness, good governance, strong financial and legal institutions, good infrastructure and positive social indicators, enterprise development is undermined and consequently there is limited capacity for business action on social and environmental initiatives. That some African countries clearly meet many of these criteria offers considerable scope for enterprise support for the Global Compact on the continent (Murphy 2001).

The most recent development on the African continent which reflects new political and economic thinking, and which may influence the success of the Global Compact in Africa, was the announcement of the Millennium Africa Recovery plan at the World Economic Forum in Davos (January 2001). Key objectives of the plan and its associated programmes are most relevant to

the Global Compact process and include (Enterprise 2001):

- Promoting and protecting democracy and human rights by developing clear standards of accountability, transparency and participatory governance at national and sub-national levels
- Creating peace, security and stability
- Strengthening Africa's capacity for the prevention, mediation and resolution of conflicts
- Instituting transparent legal and regulatory frameworks for financial markets, the auditing of private companies, the public and infrastructure sector
- Investing in human resources
- Increasing investment in the information and communication technology sector in order to bridge the digital divide
- Eradicating poverty and enhancing the quality of life
- Revitalising and extending the provision of education and health services, with high priority being given to tackling HIV / AIDS
- Developing and implementing policies that raise the quality and quantity of basic service delivery (provision of water, sanitation and health services)
- Promoting awareness campaigns to combat disease
- Protecting the physical environment
- Promoting sustainable development
- Achieving debt relief

In summary, according to Murphy (2001) the success of the Global Compact internationally depends upon action by multinational enterprises (MNEs) as well as by national and local enterprises of different sizes. Operating within the context of economic globalisation, all business activities in Africa rely upon strong domestic markets for their future success, as well as on buoyant trade, both regionally and globally. However, open markets do not operate in a social vacuum. Their survival ultimately depends upon shared values and principles.

As awareness of the scope and range of business impacts through globalisation has developed, growing attention has been given to the social, environmental and ethical dimensions of business practice. With business activities becoming more global and complex, new and greater demands for enhanced business transparency and accountability are being placed on companies by a wider range of stakeholders. In order to balance competing stakeholder interest in a rapidly changing world, businesses need to work differently. Such challenges are particularly difficult for MNEs with local operations in Africa and other regions with developing and transitional economies. The Global Compact represents one of many learning tools to enable MNEs, national

and local enterprises to respond more effectively to these new social and environmental challenges. By lending their support to the Global Compact, African enterprises will be joining a growing international business movement that is embracing shared values and commitments globally and locally.

#### Social:

Enterprise performance is generally associated with financial indicators : sales figures, cash flow, share price, growth rates and profits. Owners and managers are expected to be able to make quick decisions to boost the economic bottom line performance of their enterprises. Within this context, making the business case for initiatives such as the Global Compact is particularly challenging. The immediate business results of voluntary social initiatives are often difficult if not impossible to measure.

### **2.3.3 The Global Reporting Initiative (GRI)**

The Global Reporting Initiative (GRI) is an international, multistakeholder effort to create a common framework for voluntary reporting of the economic, environmental, and social impact of organisational level activity. The GRI mission is to elevate the comparability and credibility of sustainability reporting practices worldwide. The GRI incorporates the active participation of businesses, accountancy, human rights, environmental, labour and governmental organization ([www.gri.com](http://www.gri.com))

According to a document published by the GRI specifically on the sustainability reporting guidelines (2000 Edition), the GRI is defined as a long-term, multi-stakeholder, international process whose mission is to develop and disseminate globally applicable sustainability reporting guidelines for voluntary use by organisations reporting on the economic, environmental, and social dimensions of their activities, products and services. The aim of the guidelines is to assist reporting organisations and their stakeholders better to describe and articulate the overall contributions of the reporting organisations towards sustainable development.

The GRI guidelines encompass the three linked elements of sustainability as they apply to an organization:

- **Economic:** Including, for example, wages and benefits, labour productivity, job creation, expenditure on outsourcing, expenditure on research and development, and investments in training and other forms of human capital. The economic element includes, but is not limited to financial information.

- **Environmental:**

Including, for example, impacts of processes, products and services on air, water, land, biodiversity and human health.

- **Social:**

Including, for example, workplace health and safety, employee retention, labour rights, human rights, and wages and working conditions at outsourced operations.

In the June 2000 release of the Guidelines, these three elements are largely treated as separate reporting elements. Over time the GRI have moved towards a reporting framework that links the economic reporting structure with environmental and social. The “Integrated indicators” in the Guidelines are a step in that direction. In the 2002 edition of the GRI sustainability reporting guidelines, key trends that have emerged since the 2000 guidelines, and that have fuelled GRI’s swift progress towards the integration of the three indicators include the following:

- Expanding globalisation
- Searching for new forms of global governance
- Reforming corporate governance
- Global role of emerging economics
- Rising visibility of and expectations for organisations
- Measuring progress towards sustainable development
- Government interest in sustainability reporting
- Financial markets’ interest in sustainability reporting
- Emergence of next generation accounting

The 2002 GRI guidelines are a framework for reporting on an organisation’s economic, environmental and social performance that

- outline reporting principles and specific content to guide the preparation of organisation-level sustainability reports;
- assist organisations in presenting a true and fair picture of their economic, environmental, and social performance;
- promote comparability of sustainability reports while taking into account the practical considerations related to disclosing information across a diverse range of organisations with extensive and geographically dispersed operations; and
- support benchmarking of sustainability performance with respect to codes, performance standards, and voluntary initiatives.

**The guidelines are not:**

- A code or set of principles of conduct;
- a performance standard; or
- a management system.

**The guidelines do not:**

- provide instructions for designing organisations' internal data management and reporting systems; or
- offer instruction for preparing reports or on performance monitoring and verification practices.

In a recent speech delivered by Dr Allen White, former Chief Executive : GRI at the University of South Africa (May 2002), Dr White made the following comment on GRI and South Africa:

GRI's commitment to engagement with the Global South and developing countries is unwavering. The challenge of extending GRI into such countries is formidable yet critical to living up to our global name and global mission. To meet this challenge we need to think and act strategically, seeking partners in business, government, labour and civil society that both share our vision and are positioned to take action.

He further noted that it is precisely why GRI places the highest priority on engagement in South Africa. South Africa is the economic engine of the whole African continent. By virtue of its economic clout and its political leadership and vision, it shares a position comparable with that of a handful of leading emerging economies such as Mexico, Brazil and India. South Africa's commitment to strong corporate governance, including high standards of transparency, is an example and inspiration to nations throughout the world, not just those in the Global South.

GRI needs South Africa to help demonstrate that transparency is not a luxury that can wait, but an imperative that will make a difference in the development prospects of emerging nations. Without such transparency as key element in good corporate governance, the ability to attract and retain foreign investment is seriously undermined. Thriving capital markets - whether in New York, London, Tokyo or Johannesburg - need credible information. In today's global economy, capital flows "at the click of mouse where the risk / return ratio is most competitive" (White 2002).

In summary the GRI could be regarded as a key initiative in defining the parameters of the global social development arena. It is however in this context one should finally view the role of GRI in

supporting corporate social responsibility (CSR) in developing countries and the overall goals of development assistance programmes. Published on the internet ([www.gri-com](http://www.gri-com)) the following is noted:

- Leveraging the potential social and environmental contributions of CSR towards development at any level (local, national, global) requires establishing minimal levels of transparency and information disclosure.
- Transparency improves the quality of economic development by engendering stronger corporate governance. Transparent companies are forced to develop more robust corporate governance systems to allow them to manage the wide range of stakeholder needs and concerns that they face.
- Reporting and information disclosure offer cost-effective methods for improving environmental and social quality. It also leverages community resources and public pressure to push companies to improve their environmental and social performance.
- GRI offers a vehicle for influencing the behaviour of a wide range of companies, including small and medium-sized enterprises. As reporting matures, large corporations are also increasingly looking at the role of their supply chains and business partners in influencing their environmental and social performance.
- The GRI process enhances the effectiveness of other development initiatives related to building human capital, technology transfer, and environmental management. The reporting standards also help to establish dialogue between multiple stakeholders on sustainability priorities (e.g. human resources development, job creation, etc). This can help focus the specific initiatives launched by international aid agencies, and increase engagement by local organizations.

Finally, in this section of Chapter 2, an attempt was made to refer to the global social development arena and more specifically, three major initiatives (WSSD, Global Compact and GRI) that could be regarded as initiatives that are shaping the landscape of social development globally.

## **2.4 SOCIAL DEVELOPMENT CHALLENGES**

The following section of Chapter 2 will focus on certain challenges in the social development landscape. These challenges form an important theoretical basis for exploring the field according to the researcher. They also contribute towards a broader contextualisation of the dynamic nature of social development.



### 2.4.1 Defining the developing world

Figures constituting the United Nation's Human Development Report (1997) show that the world is becoming increasingly polarised between the rich and poor. Despite evidence that the gap doubled between 1981 and 1996, the apostles of globalisation argue that the process benefits the whole world (Mcintosh et al. 1998). Furthermore the twenty-first century is referred to as the "CNN age" whereby society and business at large are open and exposed through delicate interwoven communication networks.

Mcintosh et al. (1998) reported significant statistics, epitomising the developing world:

- Globally, 358 billionaires have as much wealth as the poorest 45 per cent of the world's population.
- Five companies in Britain receive almost 50 per cent of everything the British spend.
- General Motors has the same annual revenue as Austria.
- Ten corporations control almost every aspect of the worldwide food chain.
- 1, 3 billion people live on \$1 a day or less.
- 160 million children are undernourished.
- 20 per cent of the world's population will die before they are 40 years old.

Mcintosh et al. (1998) also reported the following drivers in the global economy and the significant changes associated with this:

- Monitoring - through satellite technology, the world can be monitored for military movements, rainforest destruction, etc. Most of this information is freely available for governments, business and the ordinary man in the street.
- Images - images are flashed around the world in seconds.
- Diseases - elimination of the AIDS virus becomes a global phenomenon.
- Connecting - we are connected globally through shopping, travel, population and the media.

This global connection has three dynamic characteristics:

(i) **Movement and mobility:**

- Money is free to move, labour is not.
- Exchange rates change constantly.
- There is a rush towards an increasingly urbanised, world society.
- There has been an increase in the number of people working electronically from home, numbering 20 million in 1996. This is estimated to rise to some 200 million by 2016.

- (ii) **Change:**
- Uncertainty about a lack of control over the future.
  - Lack of job security.
  - Flood of new information on the world around us, so that just when we think we understand it, it changes.

(iii) **Wealth disparity:**

- The trading blocs of Europe, North America and the Pacific Rim have grown in affluence to the virtual exclusion of other parts of the world.
- Living standards have become polarised across national boundaries into three groups of consumers, sustainers and the impoverished.

In a report by Business in the Community (UK: 2002), supported by the Centre for Tomorrow's Company, the future of the world will also be characterised by pressure, being exerted by society:

(i) **Information is cheaper and deeper**

More information is publicly available on the activities of an organisation and the impact of these activities on employees, shareholders, society, the environment and the economy.

(ii) **The sphere of responsibility is growing**

As the impact of business extends even wider in society, people are increasingly turning attention to business to resolve issues of social exclusion, poverty, environmental damage and economic growth.

(iii) **Society is exerting its influence**

The legitimacy of these stakeholder demands (for access to information and for better results) is often recognized and advocated by governments, regulations and influential pressure groups.

From the two sources used to provide a brief overview of the developing world, it is clear that social drivers will fundamentally determine the landscape of the developing world. It will increasingly result in ethical debates around the world, entertained by world leaders and ordinary citizens.

#### **2.4.2 Defining sustainable development**

It is imperative to explore the meaning of sustainability within a social development framework.

Sustainability, unfortunately has become a cliché in the world, but the idea behind it remains a powerful source of inspiration and is responsible for an umbrella movement encompassing as diverse a group as one can image - academics, avant - guard entrepreneurs, pop singers, students, housewives, activists in NGOs, organic farmers, green scientists, etc. They all share one thing in common : an interest in improving human well-being by seeking a proper balance between social, economic and environmental change (Sunter and Visser 2002).

Sunter and Visser (2002) further argue that sustainability is a new way of perceiving business - its purpose, its methods and its impacts. For those companies that can adopt and respond quickly and intelligently enough, there are new markets to capture and profits to be made. For those that are ill prepared, sustainability is going to become a significant financial burden, even a threat to corporate survival.

In the 2000 edition of the Forum for the Future : Annual Report (UK), sustainable development is defined as a dynamic process which enables all people to realise their potential, and to improve their quality of life, in ways which simultaneously protect and enhance the earth's life support systems.

David Puttman, Chairman of the Trustees in the Forum for the Future, made the following comment on sustainability:

... vibrant local economics, new jobs, high quality housing (with solar roofing) integrated transport, regeneration that makes a real and lasting difference. Unbelievable that some people still think that sustainable development is about the birds, bees and trees.

At the heart is the simple idea of ensuring a better quality of life for everyone, now and for generations to come. A widely used international definition is : "development which meets the needs of the present without compromising the ability of future generations to meet their own needs (www.sustainable-development.gov.uk). The UK government in 1999 suggested four objectives for sustainable development simultaneously for the UK and the world as a whole. These objectives are:

- Social progress which recognises the needs of everyone. Everyone should share in the benefits of increased prosperity and a clean and safe environment. We have to improve access to services, tackle social exclusion, and reduce the harm to health caused by poverty, poor housing, unemployment and population. Our needs must not be met by treating others, including future generations and people elsewhere in the world unfairly.

- Effective protection of the environment. We must act to limit global environmental threats, such as climate change; to protect human health and safety from hazards such as poor air quality and toxic chemicals; and to protect things which people need or value, such as wildlife, landscapes and historic buildings.
- Prudent use of natural resources. This does not mean denying ourselves the use of non-renewable resources like oil and gas, but we do need to make sure that we use them efficiently and that alternatives are developed to replace them in due course. Renewable resources, such as water, should be used in ways that do not endanger the resource or cause serious damage or pollution.
- Maintenance of high and stable levels of economic growth and employment so that everyone can share in high living standards and greater job opportunities. The UK is a trading nation in a rapidly changing world. For countries to prosper, businesses must produce high quality goods and services that consumers throughout the world want, at prices they are prepared to pay. To achieve that, a workforce that is equipped with the education and skills for the 21st century is needed. Businesses need to invest in infrastructure to support this.

The UK government also takes into account ten principles and approaches which reflect key sustainable development themes. Some are established legal principles, others might better be described as “approaches” to decision making ([www.sustainable-development.gov.uk](http://www.sustainable-development.gov.uk)):

- Putting people at the centre.
- Taking a long term perspective.
- Taking account of costs and benefits.
- Creating an open and supportive economic system.
- Combating poverty and social exclusion.
- Respecting environmental limits.
- The precautionary principle.
- Using scientific knowledge.
- Transparency, information, participation and access to justice.

Finally, in an article in Business Day, (August, 2002) Ohiorhenuam, Resident Representative of the UNDP in SA, argued that governance for human development must be democratic in substance and in form. He referred to the annually updated Human Development Index in 2002

that ranks 173 countries by a composite measure of life expectancy, education, and income per person. The report calls attention to the tragic situation in eastern and central Europe, the former Soviet Union and sub-Saharan Africa, where many nations have lower indexes now than at the start of the 1990s. More than 60 countries in different parts of the world have lower incomes a head today, than before 1990 and in 26 countries, incomes are lower than in 1980. He further reported that SA is among nations whose index has declined in recent years, resulting in its ranking among 173 nations slipping to 107 from 104. In recent years, a decline in SA's index can be ascribed mainly to declining life expectancy at birth, because of HIV / AIDS. The decline in SA's index since 1995 highlights the report's argument that the link between democracy and human development is not inevitable.

The need for serious focus on sustainability particularly regarding "the ability of something living to sustain itself hence to survive over the long term" (Sunter and Visser, 2002) is increasingly necessary in SA. A challenge therefore was to position human and social sustainability during the WSSD (Johannesburg, 2002) amongst the top priorities for future attention.

### **2.4.3 Social dimensions of business practice**

Another challenge very close to the determinants of corporate social performance, hence the aim of the study, is the social practice of business. The social development landscape increasingly dictates acceptable social practice but prior to 1999 very little has been done to address this in a more formal manner.

It was with this in mind that a resource centre was established funded by the UK's Department for International Development (DFID) in 1999. In an article by Tennyson (2002), the objectives of this centre were introduced. She reported that the aim of the centre was to engage the business community more systematically in activities that contributed towards eliminating global poverty. Traditionally, social involvement by business has been largely in the form of "corporate philanthropy" : business using some of its surplus for the benefit of the disadvantaged. Nowadays, in a changing global arena, for a growing number of organisations, as well as the general public, the social aspects of business begin to have a more business-focused meaning : irrespective of whether it is understood as ethical trade, social accountability, community investment or good labour practice.

She also however reported that despite the globalisation of trade and business activity, poverty is growing not diminishing, thus demonstrating complacency amongst business still today. There seems to be little debate therefore on two points : that business is directly and negatively impacted by all these things, and that business - because of its sheer scale and centrality to all

human activity - is potentially a major player in addressing these challenges.

The Resource Centre for the Social Dimension of Business developed the following three dimensions of business practice (2002):

- In the way they conduct their operations including labour relations; job creation; supply chain relationships; health and safety for employees; producing quality products and services that benefit customers and, perhaps most obviously, in its restructuring and down-sizing procedures.
- In issues of governance including payment of taxes and compliance with local laws, stakeholder accountability; positive impact on policy makers and governmental reform; adherence to international standards and codes of practice and, perhaps most importantly, ethical behaviour in relation to corruption, fraud and crime.
- Minimising negative and maximising positive environmental and social impacts O'Connor (2002) also reported that investment professionals need to be convinced of the following social indicators when considering placing investments at institutions. The key points are:

#### Values and vision

- Companies should state their guiding values not only in terms of financial success but also in relation to job creation, technological innovation for sustainable development and community participation.

#### Accountability and governance

- There needs to be board level commitment to the company's values with clear responsibilities.
- Boards need to be accountable to their company's stakeholders.

#### Transparency

- The company needs to report regularly on financial, social and environmental performance through annual and quarterly reports.
- Reporting should be comprehensive and use indicators that are consistent, meaningful and comparable.

Understanding social impacts

- Companies and shareholders should actively identify their key social impacts, including opportunities as well as risks.

Tennyson (2002) strongly argues in favour of companies that are socially responsible. Earlier in this Chapter (2.2.2.2) reference was also made to the JSE / SRI INDEX as a local initiative endorsing O'Connor's views and arguments.

**2.4.4 Defining social values**

It is imperative to contextualise social values within the business environment and therefore critical to view the meaning of social values in this particular context. Nelson (2002) reported that companies could build societal value-add in three main ways:

**Firstly**, and most importantly, through the efficient and ethical pursuit of their core business activities, both in the workplace where they have direct control, and along the supply chain where they have a mixture of control and influence, depending on the nature of their business and societal relationships. For example, through

- making environmentally and socially responsible decisions on location and investment activities;
- investing in the responsible sourcing, production, marketing, distribution and usage of goods and services and considering, where relevant, issues of access for the poor.

**Secondly**, through social investment and philanthropy - not just giving money to local charities, but also through sharing the company's "core competencies" such as managerial and technical expertise and establishing innovative financing mechanisms and product or service donation programmes. For example by:

- Offering management training programmes for local authorities and NGOs aimed at building capacities for sound governance and management.
- Running employee volunteering schemes; undertaking social or cause-related marketing initiatives.

**Thirdly**, business can play a valuable role in contributing to the public policy debate, by helping central and local governments and intergovernmental agencies to develop appropriate regulatory, fiscal and institutional structures aimed at:

- tackling obstacles to private sector development and responsible foreign investment;

- contribution to social and environmental policies and frameworks in areas such as education, training, local economic development, employment and environmental management.

In an article by Beloe (2002), "Bringing values into governance", it was reported that the potency of the technology, married to its application in the emotive fields of nutrition and health, backed up by a general distrust of corporate activities, has provided the "treble whammy" that has made the industry such a lightning rod for public disquiet. Prince Charles' comments during his year 2000 Reith Lecture also reflected these concerns when he argued that "we need to re-acknowledge a sense of sacred in our dealings with the natural world and with each other". Beloe (2002) also commented on these concerns that go well beyond the bounds of regulation and politics, and strike instead at the fundamental values that underpin corporate and human behaviours. He also pointed out that the public needs to be actively engaged and involved in the development of technologies, products, services and policies in order to foster a greater sense of ownership and trust over these innovations. Peter Drucker has called this "letting the outside in", an interesting philosophy and fundamental social value that will shape the way business is conducted in the new millennium.

Hite (2002) in an article on fundamentalism and family values inside corporations, argues that globalisation could turn out to mean nothing more than "Americanization" or it could develop into a new ethical and emotional social system, with different values from those created around religion with its punitive double moral standard for women, and its alienating version of men, indeed less focus on gender altogether.

There is a possibility of an international "human rights" society or value system to take shape - different from the 1960s "love and peace" movement, but also light years away from "traditional family values".

Hite (2002) further argues that in most people today (in corporations and outside them), there is a battle ranging between traditional values and an emerging new moral outlook - for most people related to human rights. This debate is seen not only in the West but also around the globe, on the news and the Internet. In a debate around preferred value system: secularism vs religious fundamentalism, she ultimately votes in favour of secular values. These values of equality and democracy themselves took centuries to develop, and represent the progression of humanity from a strict hierarchical feudal society to a system in which individuals are respected, tolerance and understanding of others are encouraged and communal/ societal values protected. Hite's philosophy on social values could therefore be interpreted as an argument in favour of protection



and valuing of human rights, either within business or society. She strongly supports values that recognise individualism hence the protection of society as a whole.

An attempt in this section of Chapter 2 was made to contextualise social values as strong drivers and determinants of the social development landscape. It is clear that increasing pressure is being placed on government and businesses globally to adopt a strong culture of societal tolerance and respect. An even stronger case is made out in favour of human rights and the protection thereof by all role players in the global marketplace. The responsibility therefore of the business sector stretches further than their responsibility towards their staff. It could finally be argued that integrating social values, determined by societal expectations, with corporate values will remain a challenge in future.

**2.4.5 Performance indicators for peaceful and progressive societies**

In a report published by international Alert, Council on Economic Priorities and The Prince of Wales Business Leaders Forum on “The Business of Peace” (2000) examples of performance indicators for peaceful and progressive societies were suggested. In contextualising the social development landscape, viewing a position of equilibrium within society in order to create the ultimate goals of experiencing sustainability, it is imperative to critically consider determinants / indicators for a peaceful and progressive society. Nelson (2000) suggests the following indicators, both from a country as well as from a company perspective:

	Country	Company
	<ul style="list-style-type: none"> <li>Legal framework that supports a vibrant and non-violent civil society</li> <li>Level of ethnic unity</li> </ul>	<ul style="list-style-type: none"> <li>% of total investment going to capacity and education building</li> <li>Level of company participation in social investment programmes</li> </ul>
<b>ENCOURAGING GOOD GOVERNANCE AND ACCOUNTABILITY</b>	<ul style="list-style-type: none"> <li>Existence of an independent and effective judiciary</li> <li>Integrity and profile of active opposition parties</li> <li>Acceptance of an independent and free media</li> <li>Transparency of tax distribution and public finances</li> </ul>	<ul style="list-style-type: none"> <li>Engagement in local business associations</li> <li>Number of consultations with government officials on key business issues</li> <li>Number of community and public consultations on social and business issues</li> </ul>
<b>PROTECTING THE ENVIRONMENT</b>	<ul style="list-style-type: none"> <li>Existence and effectiveness of environmental regulations</li> <li>Facial or stated intention for efficient resource usage</li> <li>Support for investments in environmental technology</li> </ul>	<ul style="list-style-type: none"> <li>Water and resource usage and efficiency</li> <li>Number of public consultations and complaints related to environmental issues</li> <li>Life-cycle impacts of products and services</li> </ul>

**Table 2.1: Performance indicators for peaceful and progressive societies** (Source: Nelson 2000)

	<b>COUNTRY INDICATORS</b>	<b>COMPANY INDICATORS</b>
<b>STRENGTHENING EQUITABLE ECONOMIES</b>	<p>Distribution of tax revenues - purpose, location and equity of distribution</p> <p>Integration of social and environmental objectives into privatization programmes and infrastructure projects</p> <p>Level and nature of foreign investment</p> <p>Evenness of economic development along ethnic and geographic lines</p> <p>Flexibility of the labour market</p>	<p>Direct jobs created</p> <p>Wages paid and differentials</p> <p>Size of local distribution and supply chains (i.e. other local livelihoods supported).</p> <p>Investment in technology transfer</p> <p>% of shareholders from employees</p>
<b>BUILDING HUMAN CAPITAL</b>	<p>% of GDP spent on education and training</p> <p>% of GDP spent on health and nutrition projects</p> <p>Position of country on UNDP's Human Development Index</p> <p>Level of access to basic services such as water and sanitation, energy</p>	<p>% of local people employed at management level</p> <p>Investment in basic skills training</p> <p>Level of social investment (money, products and management time) in education, training, health and nutrition programmes in host countries and communities</p>
<b>SUPPORTING SOCIAL COHESION AND HUMAN RIGHTS</b>	<p>% of people living below the poverty line</p> <p>Representation of minority groups in key economic and political decision-making positions</p> <p>Legal framework that supports a vibrant and representative civil society</p> <p>Level of criminal activity</p>	<p>Diversity profile of employees relative to local context</p> <p>Level of social investment (money, products and management time) in activities that promote diversity, tolerance and civic education and tackle unemployment</p> <p>% of social investment spent on capacity and institution building.</p> <p>Level of community participation in social investment programmes</p>
<b>ENCOURAGING GOOD GOVERNANCE AND ACCOUNTABILITY</b>	<p>Existence of an independent and effective judiciary</p> <p>Existence and profile of active opposition parties</p> <p>Acceptance of an independent and free media</p> <p>Transparency of tax distribution and public finances</p>	<p>Engagement in local business associations</p> <p>Number of consultations with government officials on key governance issues</p> <p>Number of community and public consultations on social and business issues</p>
<b>PROTECTING THE ENVIRONMENT</b>	<p>Existence and effectiveness of environmental regulations</p> <p>Fiscal or market incentives for efficient resource usage.</p> <p>Support for investments in environmental technology</p>	<p>Data on resource usage and emissions</p> <p>Number of public consultations and complaints related to environmental issues</p> <p>Life cycle impacts of products and services</p>

The abovementioned indicators are important prerequisites for a healthy society. There are strong arguments in favour of placing increasing pressure on governments and business to comply with these performance indicators. Furthermore it is widely accepted that the social and environmental landscape of the future will experience further decay unless from an institutionalised level, compliance would be forced down onto governments and the business sector. Global trends (2.3) already strongly support global intervention. The challenge of social development therefore will remain on the global agenda for decades to come.

#### **2.4.6 The donor environment**

In defining the social development landscape, a key area requiring a deeper understanding is the donor environment. The social development landscape is characterised by a number of role players of which the donor society could certainly be viewed as the most dynamic and challenging group. Historically South Africa has been strongly associated with donor interest in helping the fight against apartheid, thus influencing social regeneration.

There are quite a number of opinions on donor operations globally. Therefore an attempt will be made to entertain some arguments on the donor environment and donor intent and interest.

Burkeman (2001) reveals some critical questions and comments on the donor environment. He for example challenges and states the question whether charity is beneficial or harmful. He further argues that it is very difficult to challenge the prevailing wisdom about giving money away, because the people who have most to gain by repressing such a challenge are the wealthy. Their power allows them to set the terms of debate - if they are debated at all. This implies questioning philanthropy, suggesting it is anything other than an unalloyed good thing, is simply not done.

John Steinbeck wrote the following which could be perceived as a cynical statement but viewed a bit closer, reveals quite an important message:

Perhaps the most overrated virtue in our list of shoddy values is that of giving ...

One has only to remember some of the wolfish financiers who spend two thirds of their lives clawing a fortune out of the guts of society and the latter third pushing it back. It is not enough to suppose that their philanthropy is a kind of frightened restitution, or that their natures change when they have enough. Such a nature never has enough and such natures do not change that readily. I think that the impulse is the same in both cases. For giving can bring the same sense of superiority as getting does, and philanthropy may be another kind of spiritual avarice.

Burkeman (2001) sheds some light on the reason behind wealthy people giving money away. He reports on an interview between Anita Roddick of the Body Shop and how she viewed corporate giving (1996).

In your 30's you tend to want to feather your nest whilst in your 40's you start reassessing things. Now I'm in my 50's. I am truly interested in what I'm going to leave behind, what my thumbprint is ... I will certainly be leaving the foundation my personal fortune. There is nothing more obscene to me than dying rich. It's like having water in a vase. The longer you keep the water in the vase, the staler it gets ... It's about stewardship. It is like the best of the aristocracy who left their houses to be passed on in perpetuity. They ensured they had the right caretaker looking after it.

Burkeman (2001) strongly argues the importance of donors not only signing a cheque and thereafter as he puts it "sitting back basking in the warm afterglow". Donors desperately need to engage with the situation or cause which their grants seek to remedy. It is this connection and growth in understanding, that could be a powerful force for change in society. Without real engagement and understanding from a donor perspective, grant-making remains a sterile process and one which ultimately reinforces the inequalities which give rise to the need for grants in the first place. There still are very few regulations for example about how foundations set about spending money.

Wherever there is an agglomeration of power, i.e. partnership between state, business and civil society on social issues / concerns, there should also be at the very least, transparency, accountability and an appropriate degree of democratic control. Joseph Rowntree a radical philanthropist, made a statement in the mid-nineteenth century.

Charity as ordinarily practiced, the charity of endowment, the charity of emotion, the charity which takes place of justice, creates much of the misery which it relieves, but does not relieve all the misery it creates.....

In the international donor environment it seems for example that the US non-profit sector remains financially strong. Foundations and endowed non-profit organisations have accumulated almost \$1 trillion in investment assets, \$450 billion of it belonging to foundations and more than \$ 500 billion to endowed non-profit organisations (Jansen & Katz 2002). Analysing the successful management of these funds suggests that the current approach in the USA to building and distributing this wealth, is not serving the best interests of society.

What makes determining “value for money” in terms of social investment quite difficult is that the return on investment accrues to society rather than to the donor and comes in the form of hard-to-quantify social benefits. Jansen and Katz (2002) reported that delaying investments in the social sector exacts an enormous cost. US non-profit service organisations do valuable work, and many are underfunded. With more timely support from foundations and donors, they could do even better work. The challenge remains the allocation of available resources among projects. It clearly requires sound understanding of social and environmental needs and matching resources with identified needs. Furthermore continued attention is given to measuring the societal value of the donation against the actual monetary value of the donation in order to assess return on investment from a societal as well as economic perspective.

It is generally accepted that strong local and international guidelines will precipitate donor involvement in any project. Donations are critical and form the life blood of moral and ethical regeneration, characterising the field of social and environmental development. Integrating social development with business imperatives (inter alia the purpose of this research) will strengthen the more regulated mobilisation of funds and infrastructure. The KING 2 Report on Corporate Governance is a significant step in regulating corporate “giving” in South Africa.

To sum up donor management not only requires a sound understanding of financial and social issues, but also an understanding of the multistakeholder, multidisciplinary and multi-impact environment in which any person or institution, involved with grant making operates. This is indeed a challenge that especially the SA business sector is faced with in a marketplace increasingly aware of social dynamics and expectations.

Finally, in section 2.4. the challenges that are facing the social development landscape were presented. It is clear that the world is changing and that the development agenda is regarded as top priority by nations and corporates. The real challenge would be to successfully manage social and environmental impact through multistakeholder participation and intervention resulting in social, environmental and economic sustainability globally.

## **2.5 HUMAN RIGHTS AND SOCIAL DEVELOPMENT**

One of the greatest ironies of this period in history is that, just as technology remakes our world, the need to maintain the human dimension of our work, and a company’s sense of its social responsibility, is growing at an equal rapid pace. Harmonizing economic growth with the protection of human rights is one of the greatest challenges we face today (Mary Robinson: UN High Commissioner for Human Rights February 2000).

Big companies need to step into the breach to ensure that globalisation delivers more than a latency of dashed hopes. We must now act as co-guarantors of human rights (Göran Lindahl: President and CEO of ABB).

In this final section of Chapter 2, an overview will be given of human rights and more specifically contextualizing them in the business case. It is however clear that the social development landscape strongly represents a philosophy around recognition of human rights, the protection thereof, societal impact on human rights and vice versa, as well as the corporatisation of human rights and social values. It therefore justifies some deliberation on this theme as an integrated part of the social development landscape.

### **2.5.1 Defining Human Rights**

Human rights are fundamental principles allowing the individual freedom to lead a dignified life, freedom from abuse and violations, and freedom to express independent beliefs. Human rights are based on rules of human behaviour common across diverse cultures to achieve stable, peaceful and equitable societies (Amnesty International, 2000).

The basis of international standards of human rights is the UN Universal Declaration of Human Rights (UDHR) which was established in 1948 after extensive international consultation. This was adopted by 48 members of the UN General Assembly, and subsequently by a further 100 states. No nation has ever publicly stated its opposition to the UDHR, which is indicative of its moral weight. Its provisions have been cited as the justification for numerous UN actions, and have inspired or been used in many conventions and protocols adopted by the UN, defining in greater detail, the scope and contents of international human rights standards. The two key covenants are the International covenant on Civil and Political Rights (1966), and the International Covenant on Economic, Cultural and Social Rights (1966). These, together with core labour standards of the International Labour organization (ILO), represent the most widely accepted codification of human rights standards as enshrined in international law. The declaration itself was a response to human rights abuses that had preceded and accompanied the Second World War, a global war that created a global moral crisis to which the UN declaration was a collective and global response (Cragg 2000).

### **2.5.2 Business and social benefits of human rights**

In a publication by Amnesty International and the Prince of Wales Business Leaders Forum (2000) the following benefits (Table 2.2) were reported.

**Table 2.2: Business and social benefits of human rights** (Source: Amnesty International and the Prince of Wales Leaders Forum 2000)

COMMERCIAL BENEFITS	SOCIAL BENEFITS
<ul style="list-style-type: none"> <li>• Enhanced corporate reputation and brand image</li> <li>• More secure license to operate</li> <li>• Improved employee recruitment, retention and motivation</li> <li>• Improved stakeholder relations</li> <li>• Reduced risk of consumer protest, boycotts, adverse publicity</li> <li>• More sustainable relationships with business partners, suppliers, subcontractors</li> <li>• Improved risk assessment and management</li> <li>• Improved investment climate</li> <li>• Strengthening shareholder confidence</li> <li>• Competitive advantage over other companies not yet adopting human rights policies</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthening the rule of law through application of international human rights standards</li> <li>• Strengthening capacity of civil society organizations through dialogue and partnerships</li> <li>• Increased trust between community groups and company through consultation and partnership activities</li> <li>• Decline in social unrest, conflict, violent sabotage</li> <li>• More stable employment opportunities</li> <li>• Greater potential for sustainable socio-economic development</li> <li>• Opportunity for fair representation of different community groups views and concerns can strengthen social cohesion</li> </ul>

Through the social benefits of human rights in particular, enrichment of the social development landscape occurs. This comparison between business and social benefits however indicates the close integration already taking place and making human rights “everybody’s business”. It is further strengthened by global initiatives such as WSSD, GRI and Global compact (see section 2.3.).

### 2.5.3 The business case for human rights

In order to defend a business case for human rights, the following quotations (Visions of Ethical Business. Financial Times: 1998) will be presented in an attempt to offer proof and evidence amongst large corporation’s’ views on human rights.

Getting it right is not only a matter of ethical behaviour and moral choice. Enlightened business people have realized that good business is good for business. Good business is sustainable, is part of global society, not at odds with it and reflects values which are shared across the world (**Peter Sutherland : Chairman of BP Amaco : 2000**).

The World's Markets just won't buy products if they are manufactured by countries that exploit child labour, that are dictatorial, and that destroy the environment, eventually, business people will have no choice but to take part in the process of solving our social problems

(**Sophan Suphaphong, President of Banchak Petroleum, 2000**).

Reebok's experience is that the incorporation of internationally recognized human rights standards into its business practice improves worker morale and results in a higher quality working environment and higher quality products

(**excerpt from Reebok's Human Rights Production Standards, 2000**).

Inaction is not an opinion. The choice is between the exercise of corporate leadership in developing appropriate company policies, or being forced by public opinion to bring corporate practice into line with the values of society (**Sir Geoffrey Chandler, Chair of Amnesty International UK Business Group and former Shell Senior Executive, 2000**).

The above statements could be regarded as critical proof in favour of a business case for human rights. Mary Robinson, UN High Commissioner for Human Rights, reported that fifty years ago, the UN may not have foreseen the power and influence that business corporations would come to yield in our world, but they did allow for business, as part of the human community, to use its power, with respect for human rights in mind. She further argued that

...in many ways business decisions can profoundly affect the dignity and rights of individuals and communities. Business is coming to recognize this and I welcome the growing activities in the business community to establish benchmarks, promote best practices and adopt codes of conduct (2001).

It therefore becomes clear that in the globalisation striving for most businesses, their actions are being closely watched by groups and individuals. Human rights will remain a fundamental value principle which could also be regarded as a strong indicator of reputation and integrity if



performed well, but also become a serious social risk if ill performed. With a strong civil society movement in South Africa, especially organised labour, the pressure from a human rights perspective even more so, demands to be placed on the agenda of boards and executives, managing and leading any organisation. Frankental and House (2000) however argue that it is difficult to put figures to the business costs and benefits associated with human rights, but the connections are undeniable. They also alluded to the reputation risk associated with violations of human rights, specifically in attracting and retaining the best people to join these organisations. Therefore companies that can demonstrate that they are actively seeking to maximise the positive impact of their operations on the human rights situation and minimize the negative impact will attract less criticism and more support from a vigilant media, networked NGOs and informed consumers, not to mention their own staff. This does not even include the negative impact on the brand and other intangibles, so easily forgotten. Frankental and House (2000) therefore argue that its not surprising that many NGOs are beginning to target companies with high profile brands like Nike and McDonalds.

Human rights also apply to all stakeholders or spheres of influence in a business landscape. Suppliers, government, and communities are as important “members” of a business as their staff. Lobbying and advocacy as well as partnerships with these groupings are a critical imperative to ensure that a healthy code of conduct is also performed amongst these stakeholders. Again the challenge deepens from a social development perspective in so far as upholding human rights not only within the business environment, but also in the broader sphere of influence. Multinational organisations face an even more challenging situation because of the “borderless” nature of being a global player and dealing with various cultures, value systems and perceptions.

In an article by Cragg (2000) on human rights and business ethics in which he contested the relevance of the post Second World War “social contract” whereby responsibilities were assigned to ensure equitable sharing of wealth by governments, the following suggestions were offered:

- A new social contract is needed to frame business activities in the emerging global marketplace. The widespread view in the private sector that the protection of human rights is a government, not a corporate responsibility, is not tenable in a global economy.
- The new social contract must include recognition by the business community that they have an obligation to operate in all aspects of their operations within the framework of policies and codes that encompass respect for human rights and other values of fundamental human importance, for example environmental protection.

- The new social contract must acknowledge that creating respect for fundamental human values in the private sector requires business and government partnerships. It is clear that international regulation is essential to create a level economic playing field for the conduct of international commerce.
- The new social contract needs to ensure a significant role for civil society in monitoring the adherence of corporations to the codes they adopt. This cooperation should be based on private sector/civil society partnerships whose goal is to work together for the benefit of all stakeholders.
- Finally, and perhaps most importantly, it is important to be reminded, as Ghandi and others have pointed out, that commerce without conscience is a formula for human exploitation, not human development.

#### **2.5.4 Human rights in practice**

In summary, Amnesty International has endorsed the following key elements in putting human rights principles into practice (2000).

- An explicit commitment to support principles enshrined in the Universal Declaration of Human Rights is an important starting point.
- Companies should recognise that human rights do not occur in a vacuum. They are part of a continuum of responsible practices that encompass employees, communities and other stakeholders. In this respect it is important that the links between complementary or potentially conflicting internal company policies be addressed.
- Assigning responsibility for the development and implementation of the human rights policy to a central function within the company should ensure appropriate integration of human rights considerations into the overall business decision-making process.
- In developing policies and practices with regard to human rights, it is important that companies clearly delineate the boundaries of their responsibilities or willingness to become involved in advocacy or exert influence.
- Assurance processes should be implemented to ensure that the human rights policy is being adhered to and that company operations are being evaluated for their potential impact on human rights.
- If companies are serious about monitoring their human rights performance, it is critically important that they develop mechanisms for systematically reporting on progress. Independent monitoring and verification by a credible social auditor is important for external legitimacy.

- Cross-sector partnerships offer potentially powerful mechanisms for developing and implementing human rights strategies. The potential for such partnerships with NGOs or community groups should be explored at various levels, from investment decision-making through to local monitoring of human rights conditions or peace-building initiatives.
- Engaging in constructive dialogue with critics can be very important. Companies which have reacted defensively to criticism in the media and from NGOs, and which have denied allegations of human rights violations without offering to enter into discussion, have often been the target of even more vigorous criticism. Whether founded or not, such criticism can be damaging to corporate reputation.

Finally, it would be incomplete not to contextualise human rights within the social development landscape hence the last section of Chapter 2. Human rights undoubtedly form a critical part of the social development landscape specifically within the South African environment. Historically, prior to 1994, South Africa as a country was notorious for the violation of human rights entrenched by social injustices and apartheid. The institutionalisation in SA of human rights post 1994, through legislation and strong development activism, furthermore enhances the integration of human rights into main-stream business and society. The drivers of the 2002 Johannesburg Summit (WSSD), "People, Planet, Prosperity", finally emphasise the importance of human rights in sustainable development globally.

## 2.6 CONCLUSION

Chapter 2 could be regarded as the entry point of the study. The main reason for entering the field of corporate social performance through the social development landscape is fundamentally because social injustices and the violation of human rights and the environment precipitated the private sector's intent to address these imbalances through their participation in sustainable development. Although this chapter primarily focused on social imperatives, it was stated that separating social and environmental imperatives was impossible due to the connection between these two areas.

In Chapter 2 an attempt was made to create a meaningful context for social development, focusing on both South African and global imperatives. It was clear that development in the social arena predominantly originates from the UK and that local development, philosophies and principles are largely based on UK rather than any other trends globally. Developments in the UK are therefore widely accepted as leading philosophies and practices in the field of social development. Business in the Community is already deeply entrenched in the UK hence their leadership role in this regard. What became quite evident however in the South African context is that there seems to be a strong thrust behind the institutionalisation of the social development

landscape through regulatory initiatives as well as a strong sense of baseline social performance, hence benchmarking exercises. It was only about two years ago that strong evidence in favour of regulation was emerging which arguably could change the social development landscape in SA completely. In Chapter 2 an overview was presented of these regulatory interventions, which, although currently still voluntary, could easily be translated into legal terms in future. The KING 2 Report on Corporate Governance, Johannesburg Securities Exchange: Socially Responsible Investment Index (JSE / SRI: INDEX), Sustainable Banking and Benchmarking Corporate Citizenship are four of the most prominent interventions currently in SA. It was argued in this chapter that these interventions are the key characteristics that will shape the future of social development in SA, that will align efforts of business, government and civil society, and that will remain on the national agenda for some years to come.

Chapter 2 also alluded to the role of the SA government as the primary driving force in equalising the social landscape in SA. As proof of its intent, during a recent speech by the Minister of Social Development, Dr. Zola Skweyiya (August: 2002), made the following comments.

The South African Government is doing all in its power to ensure that Civil Society is strengthened to make a meaningful contribution to policy discussions and other pertinent issues like poverty, health, water and other socio-economic development issues that will be discussed by both Government and civil society during the WSSD. We urge all South Africans to work together, be it business, labour, faith-based organisations and most importantly communities of Alexandra, Soweto, Gauteng and the North West to give a warm welcome to all the international guests who will be attending the WSSD.

The SA government through constructive attempts like the Business Summit on Social Development (October, 2002) is busy shaping the social development landscape. The National Development Agency, which is responsible for disbursement of funds for social development and for close relationships between government and organised business, i.e. South Africa Chamber of Business (SACOB), The National Business Initiative (NBI), The Black Management Forum (BMF) and The Afrikaanse Handelsinstituut (AHI) are proof of this. Chapter 2 also reported on the role of the World Summit on Sustainable Development (WSSD), The Global Reporting Initiative (GRI) and Global Compact as key institutional drivers of global social change. It was reported in Chapter 2 that these initiatives are shaping the social arena through globally accepted guidelines and principles, offering tools and solutions for the role-players in social development, namely government, business and civil society.

Chapter 2 also focused on a number of challenges confronting the role-players involved with social development. These challenges represent the changing face of the developing world, sustainability indicators, understanding the social dimensions of business, defining social values specifically within a business context, understanding the key determinants or indicators of a peaceful and progressive society and lastly, contextualising the donor environment within social development. An interesting argument that emerged after analysing these challenges was the importance of stakeholder engagement (to be discussed in Chapter 3). A fundamental understanding of the stakeholder environment is needed in order to address these challenges. The interrelatedness between the public and private sector as well as civil society is a key prerequisite for dealing with social issues. The social development landscape asks for an integrated approach by these role-players in order to address the social challenges of SA.

Finally, Chapter 2 dealt with an important element of the social landscape, namely that of human rights. A fundamental ingredient of a healthy society is the protection of human rights. Furthermore, true to the history of South Africa, the social crisis that SA is currently experiencing could be directly related to a failure in complying with the United Nations Declaration of Human Rights (1948). The drivers of social change are embedded in human rights issues hence the attempt to contextualise human rights from a business as well as practical perspective.

In conclusion the social development landscape has changed dramatically in South Africa since the introduction of democracy in 1994. It could also be argued that the landscape will change, even more rapidly in future, owing to the emergence of drivers such as KING 2, the WSSD and a general sense of governance and accountability. Social issues will also be entertained as a critical agenda point by the highest authorities from government, business and civil society. The landscape asks for intervention to ensure a sustainable society and environment in future. The role of business in this challenge is particularly highlighted and this creates the entry point for Chapter 3 that will deal with key business trends and philosophies and the relevance thereof to the social context.