CORPORATE RESPONSIBILITY IN AFRICAN DEVELOPMENT: Insights from an Emerging Dialogue

Maya Forstater, Simon Zadek, Yang Guang, Kelly Yu, Chen Xiao Hong and Mark George

The Institute of West-Asian and African Studies of the Chinese Academy of Social Sciences

In cooperation with The Department for International Development of the UK Government, the World Bank, the Delegation of the European Union, the US Embassy, and Norwegian Embassy and the World Bank Group

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THE INSTITUTE OF WEST-ASIAN AND AFRICAN STUDIES OF THE CHINESE ACADEMY OF SOCIAL SCIENCES

IN COOPERATION WITH

THE DEPARTMENT FOR INTERNATIONAL DEVELOPMENT OF THE UK GOVERNMENT, THE WORLD BANK, THE DELEGATION OF THE EUROPEAN UNION, THE US EMBASSY, AND NORWEGIAN EMBASSY AND THE WORLD BANK GROUP

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Further details and background paper available at www.zadek.net/csr-and-african-development

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Acronyms

CASS	Chinese Academy of Social Sciences
CNPC	China National Petroleum Corporation
CSR	Corporate Social Responsibility
DFID	Department for International Development of the UK Government
DRC	Development Research Centre of the State Council of the PRC
DRC	Democratic Republic of Congo
DRC-ERI	Development Research Center of the State Council, Enterprise Research Institute
EITI	Extractive Industry Transparency Initiative
ESG	Environment, social and governance
Ex-Im Bank	Export-Import Bank
FDI	Foreign Direct Investment
FOAC	Forum on China Africa Cooperation
FSC	Forestry Stewardship Council
GAVI	The Global Alliances for Vaccines and Immunisation
GBC	The Global Business Coalition on HIV/AIDS
GDP	Gross Domestic Product
GRI	The Global Reporting Initiative
GTZ	Gesellschaft für Technische Zusammenarbeit (German technical cooperation agency)
HSE	Health, Safety and Environment
ICMM	International Council on Mining and Minerals
IMF	International Monetary Fund
ISO	International Organisation for Standardisation
IWASS	Institute of West-Asian and African Studies
MNC	Multinational corporation
MOFCOM	Ministry of Commerce of the People's Republic of China
NEPAD	New Partnership for Africa's Development
NGO	Non-government organisation
OECD	Organisation for Economic Cooperation and Development
PRC	People's Republic of China
RMB	Renmimbi
SASAC	State owned Assets Supervision and Administration Commission
SME	Small and medium sized enterprises
SOE	State owned enterprise
UN	United Nations
UNDP	United Nations Development Programme
UNGC	UN Global Compact
USAID	US Agency for International Development
WBCSD	World Business Council for Sustainable Development

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CASE EXAMPLES

> *"There has been remarkable socioeconomic achievement in Africa in recent years. There is every reason to be optimistic about the prospects for development in Africa"*
>
> *Yao Guimei, Deputy Director, Dept. of African Studies, IWAAS, CASS*

THE BEIJING DIALOGUE: AFRICA IN CHINA

On May 21st and 22nd 2010, in Beijing a diverse group of practitioners from China, Uganda, Liberia, Nigeria, Ghana, South Africa, the US, and Europe gathered to discuss the role and experience of business in sustainable development in Africa. Each of the contributors brought their own experience of working to advance sustainable development through corporate social responsibility* in Africa. The meeting was a chance to share experiences and build relationships for ongoing learning.

The forum hosted by The Institute of West-Asian and African Studies of the Chinese Academy of Social Sciences (IWAAS-CASS), in cooperation with the Department for International Development of the UK Government, the World Bank, the Delegation of the European Union, The US Embassy, and Norwegian Embassy and the World Bank Group, brought together people from state owned enterprises and private companies, from multi-sector initiatives such as the UN Global Compact, the Extractive Industry Transparency Initiative, the Global Reporting Initiative and the Forest Stewardship Council and from government agencies mandated with overseas development and with the regulation of businesses.

Why meet in Beijing to talk about corporate responsibility and the business of development in Africa? As Director Jing Ning, of MOFCOM, the Chinese Ministry of Commerce pointed out, *"The economies of China and Africa are complementary. Since 1999 economic growth in China and Africa has been correlated."*

> *"CSR is a universal concept. Companies need to build awareness of issues and learn from experience. We need more international exchanges and summarizing and dissemination of cases. We can't solve all problems ourselves. But we can open up the door and listen to experience from all other countries".*
>
> *Dr Chen Xiaohong, Director-General, DRC-ERI*

The common ground for the meeting was the recognition that businesses, whether from China and other emerging economies or from established foreign investors, have a key role to play in African development. However, it is not just the volume of economic activity that determines development, it is also *how* business is done which impacts people, the economy and the environment. The challenge and opportunity is to forge patterns of business in Africa that benefit the continent and its citizens.

This paper builds on the case studies and discussions which animated this meeting, providing background research and context as well as a set of recommendations and directions to advance this agenda in the future.

The meeting provided a valuable opportunity for participants from Chinese, African and Western companies, governments and other organisations to share learning. One of these was the need to further deepen and broaden the engagement of African businesses, government, civil society representatives and experts in this dialogue, as well as bringing to the table business and other actors from other emerging nations with an interest and role to play in Africa's development.

[* We use the term CSR throughout this report for simplicity. It may also be referred to in terms of corporate responsibility, sustainability, business and sustainable development, responsible business practices, corporate citizenship and environment, social and governance (ESG) issues. While each of these terms have a different flavour, emphasis and history they cover broadly the same concepts and practices.]

> *"It is vital Africa is able to achieve its potential for development. The really encouraging news is that, on the back of increased levels of investment, of which increasing amounts are coming from China, many parts of Africa really are making impressive progress."*
>
> *Sebastian Wood, UK Ambassador to China*

THE BUSINESS OF DEVELOPMENT IN AFRICA

Economies in Africa, and especially Sub-Saharan Africa, have been growing more rapidly in recent years than at any time in modern history. Between 2001 and 2008, African economies grew at an increasing rate, averaging over 6% for the period. In 2010 the average economic growth rate across the continent overtook both Brazil and India.[1] This rate of growth and development is unprecedented in recent history and has the potential for lifting millions across the continent out of poverty and moving communities and nations towards self-sustained livelihoods and economies.

Challenges to development in Africa remain considerable, as shown by the continent's uneven performance as measured against the UN Millennium Development Goals. Eighty percent of Africans still earn US$2 a day or less. Economies reliant on the export of low value-added basic goods are subject to international market fluctuations and weak terms of trade. Rapid population growth puts pressure on education systems, and weak infrastructure is a barrier to productivity and upgrading of industry and to interregional trade. Over twenty African countries have populations smaller than Singapore, and such small economies tend to face greater challenges for economic competitiveness with unemployment rates exceeding 25% resulting in endemic poverty and associated problems such as child malnutrition. Environmental problems are also significant with over 40 African countries challenged by growing water scarcity and accelerating soil erosion.[2]

Business has a key role to play in an African renaissance, firstly by investing in the skills and infrastructure needed for prosperity[3]. Foreign direct investment far outstrips development aid in many countries, particularly those with natural resource-based economic opportunities.[4] The Africa Progress Panel, which involves international thought leaders, and a business advisory group of major multinationals, recently concluded that the three ways in which business can make the biggest difference to sustainable development and poverty reduction in Africa are by

> *"The economies of China and Africa are complementary. Since 1999 economic growth in China and Africa has been correlated."*
>
> *Jing Ning, Director, MOFCOM*

supporting the development of a better business environment, ensuring that capital reaches the many opportunities that exist in Africa and increasing agricultural productivity and food security.[5]

NEW INVESTORS IN AFRICA

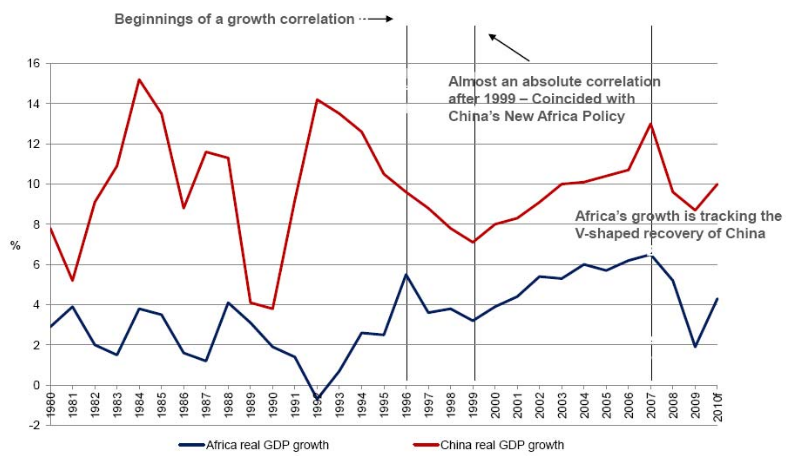
In recent years traditional investors in Africa have been joined by investors from emerging economies.[6] India's Reliance Industries, Tata, Oil and Natural Gas Corp and Hindustan Petroleum, Brazil's Companhia Vale do Rio Doce, and Malaysia's Petronas are just a few of the emerging economy multinationals expanding their operations in the African natural resource sector, while others are buying agricultural land to expand production in the region.[7]

The biggest growth in South-to South trade with Africa has been with China. Between 2000 and 2005, trade between China and Africa increased from US$11 billion to almost US$40 billion with China becoming the third largest trading partner of Africa (after the US and EU). Trade between Africa and China reached US$ 106.8 billion in 2008.

Estimates of the scale of Chinese investments in Africa vary, but it is clear that they are growing rapidly. According to MOFCOM statistics, from 2003 to 2007, annual Chinese investment in Africa grew from US$75 million to US$1.5 billion.[8] The World Bank estimates that Chinese commitments to finance African infrastructure projects grew from less than US$1 billion per year in 2001–03 to around US$1.5 billion per year in 2004–05, and reached at least US$7 billion in 2006, before dropping back to US$4.5 billion in 2007.[9]

One unofficial estimate suggests that more than 2,000 Chinese companies had established African branches by the end of 2008, including many small enterprises as well as large state owned enterprises. The growing dependence of the African economy on trade and investment with China is suggested by the correlation between economic growth in Africa and China since 1999 (Exhibit 1).

Exhibit 1: Economic growth correlation in China and Africa



[Source: Conference presentation: Martyn Davies, China Africa Network, Gordon Institute of Business Science]

Chinese companies have investments distributed across 49 African countries, with the majority focused in South Africa, Egypt, Sudan, Nigeria, Zambia, Tanzania and Algeria. The most high profile Chinese investments in Africa are focused on resource extraction for oil, uranium and industrial minerals, and construction of large-scale infrastructure projects including roads, railways, and dams as well as public housing, hospitals and sports stadiums. Many of these investments are supported by grants and loans to governments or 'soft loans' to enterprises from China's development banks, especially Exim Bank. In some areas Chinese investments include complex integrated projects on a very large scale (such as combining mining, roads and hydroelectric power). Others are developing special economic zones in joint ventures with African governments.[10] Chinese entrepreneurs are also active in manufacturing, tourism and retail, with SMEs increasingly important.[11]

While Chinese investment in Africa is growing rapidly, it must be remembered that Africa remains a relatively minor destination for Chinese FDI (most of which still goes to Asia), and China is still a relatively small player in Africa's natural resource and petroleum sector relative to the OECD countries.[12] Nevertheless, Chinese investment into Africa provides new long-term opportunities for developing Africa's infrastructure, offering affordable products to consumers and transferring business models that have already been proved in difficult conditions.[13]

> *" When Chinese companies are going to Africa their CSR is positively contributing to solving social problems. They are hiring local people. Many large companies have good environmental protection policy. But they need to quantify and collect data. CSR is still a new concept for Chinese companies. There is a lot of potential."*
>
> *Yang Guang, Director-General of IWAAS, CASS*

Chinese companies 'going out' for the first time in Africa face some particular challenges that are unique, because of their own history and the markets and systems that they are embedded in at home. As Liu Youfa, Vice President of the China Institute of International Studies reflected: *"Chinese companies are late comers to the international market. They have to learn the local and international rules of the game, at the same time as facing culture shock and competition from foreign and local competitors. It is a painful learning curve. It is like the people from a remote village, when they first come to Beijing. They don't know the traffic rules."* At the same time, Chinese businesses have experience of rapid economic development from a low base and have much to contribute to African development. China's successful development model, grounded in strong management by a developmental state holds considerable appeal in Africa. China's role in building roads and infrastructure in Africa can help to overcome some of the barriers to economic integration. [14]

UNDERSTANDING AND OVERCOMING THE NATURAL RESOURCE CURSE

Africa contains more than half of the world's resources of cobalt, manganese and gold and as well as significant supplies of platinum, uranium and oil. In 2008 around $1 trillion of minerals, metals and oil were extracted with commodity exports accounting for 38% of the continent's GDP.

Natural resources and mineral wealth can be a powerful driver for development, bringing investment, creating jobs and public revenues. However many natural resource rich countries in Africa and elsewhere have suffered from economic underdevelopment, political mismanagement and conflict. In many cases the discovery of oil or mineral resources has not led to sustainable prosperity but to devastating political conflict and economic setbacks.

> *"Many years of exploiting natural resources in Liberia have not made any meaningful impact to the lives of our people. But at the same time there remained good relationships between the government and companies. There was connivance. In the end that is what led to a 13 year civil war."*
>
> Negbalee Warner, Liberia Extractive Industry Transparency Initiative Coordinator

This has been called the 'natural resource curse' or the 'paradox of plenty'. It is a well studied phenomenon where countries rich in natural resources have been unable to use that wealth to boost their economies.[15] Key mechanisms are:

- **Theft and corruption** – Flows of money from natural resources can be more easily diverted through theft and corruption than those earned through diversified commerce.

- **Economic volatility** – Over-dependence on exporting natural resources leaves economies particularly vulnerable to the boom and bust cycles. Such economic volatility prevents sound government planning and results in frequent breaking of contracts and erosion of the business environment.

- **Conflict** - Natural resources can provoke conflicts as different groups and factions fight for their share. Where armed forces are able to gain control of resource revenues this can prolong conflicts by providing the resources needed to keep it going.

- **Reduced diversification** - Large inflows of revenues lead to currency appreciation, which makes it more difficult to export agricultural and manufacturing goods. While initially income goes up as natural resources are exported, overtime the overall output of the economy falls as other sectors fail to grow.

- **Poor public policies** – Citizens in countries with resource wealth are sometimes poorly served by their rulers. The ease of raising revenues from natural resource concessions means that governments have a narrow tax base, weaker institutions and an even weaker social contract with business and workers. Governing elites are able to evade accountability to their populations and are not incentivised to pursue pro-growth policies.[16]

- **Negative local impacts** – Resource extraction often has negative impacts on the environment, and on people. While oil revenues flow to capital cities, unless local people are compensated for loss of homes, farmland and fishing grounds, and are

> *"In nations with natural resources, ultimately the question is how can the country gain sustainable welfare from exploiting its natural resources? This is what the business model of responsibility must address – through investment, technology, safeguards and taxes paid to the local government".*
>
> [Li Wen] China National Petroleum Company

actively involved in the new employment opportunities, human welfare in natural resource producing regions can fall, even while overall economic productivity of the national economy rises.

It is a syndrome seen all over the world. It was first termed 'Dutch Disease' following the decline of the manufacturing in the Netherlands after the discovery of natural gas, and researchers in China also begun to explore the implications of the natural resource curse for Chinese domestic economy.[17]

The results of the natural resource curse are that, unless robust public institutions are put in place to manage natural resource revenues and to achieve development goals the opportunities and benefits from natural resources extraction are limited and do not enable accelerate broad based development, at worst they fuel conflict and corruption. However, putting these institutions in place is difficult.

In recent years a fragile international consensus has emerged to date on the measures necessary to ensure that natural resource businesses are able to contribute to sustainable development and overcome the natural resource curse:

1. **Environmental and social safeguards** and procedures to identify and reduce negative social impacts, mitigating environmental damage and fighting corruption.
2. **Policies and investments to maximise community development**. Extractive industries are by their nature unsustainable, as individual deposits are exhausted over time. Therefore the sustainable impact of the industry depends on its ability to support the development of self-sustaining local economies that can outlast the natural resource stocks. Extractive businesses are therefore making efforts to maximise sustainable economic impacts through local job creation, provision of training, local procurement and involvement in community partnerships to create local infrastructure and build the capacity of local institutions

3. **Revenue transparency**. Ultimately sustainable economic growth must be supported through local institutions and infrastructure, which depend on the effectiveness of government policies and regulation. Individual businesses can play a key role to support good government in resource rich countries by championing and complying with regulations making natural resource taxes and royalties public. [18]

Defining CSR

There is no global standard definition of CSR, nor a definitive list of the issues it encompasses. However the most often cited definitions share a common theme: meeting legal requirements and broader expectations of stakeholders in order to contribute to a better society through actions in the workplace, marketplace and local community and through public policy advocacy and partnerships. [19]

- "While pursuing economic profits, corporations are held responsible by shareholders, employees, consumers, suppliers, communities, and other stakeholders. Moreover, corporations have responsibilities to protect the environment." **Chinese Government**[20]
- "Corporate Responsibility can be defined as how companies address the social, environmental and economic impacts of their operations and so help to meet our sustainable development goals. Specifically, we see CR as the voluntary actions that business can take, beyond compliance with minimum legal requirements, to address both its own competitive interests and the interests of wider society."**UK Government**[21]
- "The commitment of business to contribute to sustainable economic development, working with employees, their families, the local community, and society at large to improve their quality of life, in ways that are both good for business and good for development." **The World Bank**[22]

In the meeting, Yang Guang, Director-General, IWAAS, CASS related CSR business case to the Confucian classical philosophy *"If you want to benefit yourself, first benefit others"*. CSR is not a burden he said but it can also create benefits *"if it creates a better business environment. This is the basis for sustainable growth.* Robert Court of Rio Tinto preferred to use the term sustainable development, but his description was congruent" *It is not optional, it is integral to business. It is crucial to securing our license to operate and to managing risk".*

In general, those from Chinese companies tended to emphasise local community development and the provision of infrastructure in their description of CSR. Those from Western Multinationals reflected, from their experience, on the difficulty of achieving significant impact through individual businesses efforts on community development without broader enabling government policies and institutions. They therefore tended to focus more on the need for revenue transparency and capacity building of public institutions.

Despite these different perspectives there was broad recognition that while CSR often starts with charitable donations, the problems and opportunities for sustainable development require a business contribution to solving social, environmental and governance issues that goes beyond the bounds of 'charity'

CORPORATE SOCIAL RESPONSIBLITY

Business efforts to address the natural resource curse represent a key facet of the broader development of 'Corporate Social Responsibility' (CSR). Over the past fifteen years it has become increasingly expected by governments, investors, consumers and local communities that businesses, particularly the most powerful companies, should go beyond local regulatory compliance to earn their 'license to operate' by demonstrating that their operations provide a beneficial impact.

Business gains come in terms of better reputation and risk management and the ability extend into new markets. [23] A study by SustainAbility and the IFC of the business case for CSR in emerging markets found that key benefits to business come through, higher sales, reduced costs and lower risks, enhanced reputation, strengthened human resources and improved access to capital.[24] Beyond these individual benefits there is a broader argument that the interests of business and society are aligned towards the global goal of sustainable development. Social and environmental goals cannot be achieved without business, and in turn, that a healthy environment and prosperous society make for a good environment to do business in.[25]

These common themes were reflected in the explanations of CSR given by participants in the Beijing dialogue. *"The goal of CSR should be to be a human centred company and achieve harmonious growth with the local community"* said Zhang Weiping, former Chief Economist of the Chinese oil company CNOOC. Martyn Davies of the Gordon Institute of Business Science agreed *"CSR should not be about charity. CSR should create competitive communities who benefit from their natural resources".*

*W*hile CSR in different countries has emerged in ways that reflect local business cultures, issues and drivers of change, a common pattern of evolution can be discerned. The first generation of CSR is generally characterized by ad-hoc responses to social and environmental issues and challenges threatening business. The second generation sees companies taking a more professionalised approach to their impacts, setting commitments and targets and measuring and reporting on performance. The third generation involves companies aligning their business strategies more broadly towards sustainable development.[26] This means going beyond controlling negative impacts to building businesses that are more successful in, and contribute to societies that impact positively on people and the environment.

> *"Our previous approach was to build a school here, a road there. We learnt that this doesn't make sense. When you build a school, you have to ask will it have teachers? Will it have books? What happens when you leave? To work on that you have to get the government on board."*
>
> *Toni Aubynn, Head, Corporate Affairs and Social Development, Gold fields Ghana*

LEARNING FROM EXPERIENCE

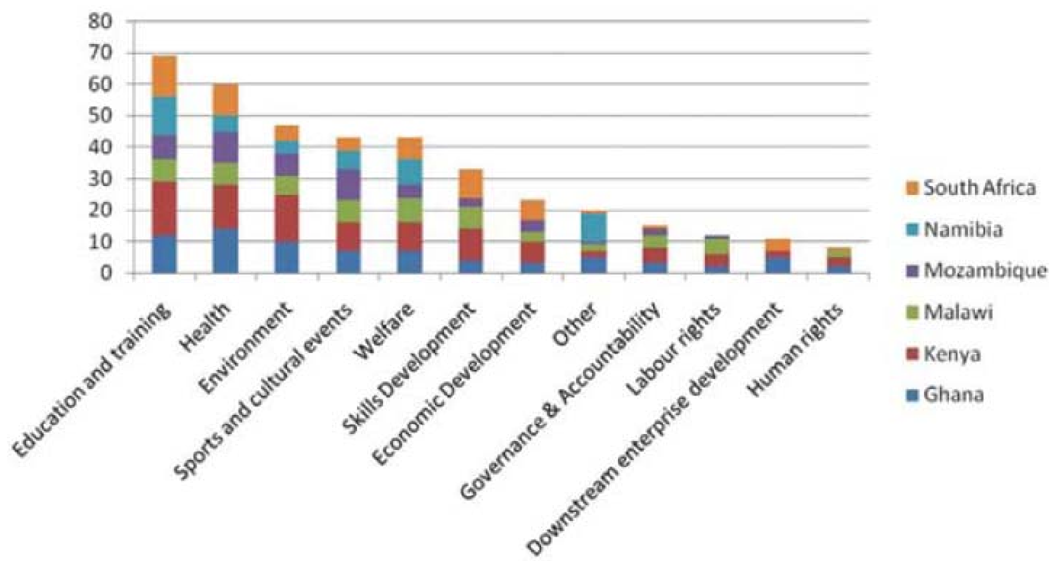
CSR is increasingly becoming a global practice, with businesses based in different countries tending to pursue approaches with an emphasis that reflects their particular mix of political, regulatory and financial systems, culture, history and resources.[27] A recent survey of business CEOs internationally, conducted by the UN Global Compact and Accenture found that while globally 93% of CEOs surveyed said that sustainability issues will be critical to the future success of their business, In Asia Pacific the figure was as high as 98%, and 97% in Africa.[28]

EXPERIENCES OF CSR IN AFRICA

The idea that business is part of society, and therefore has community and national responsibilities is established in the culture, and economic history of many African countries.[29] This combined with the influence of multinationals and international institutions such as the UN Global Compact means that CSR is being carried out both by local businesses and foreign investors, and is increasingly encouraged by many governments.

Surveys of CSR amongst businesses in Africa have found that the most common approach to CSR issues is through philanthropic support, in particular focusing on education, health and environment.[30]

Exhibit 2: CSR Focus areas of businesses in six countries in Africa



[Source: GTZ]

In Kenya, surveys suggest that the cause receiving the highest proportion of corporate donations is health and medical provision, and donations are also directed towards education and training; HIV/AIDS; agriculture and food security; and underprivileged children. In Zambia, supporting orphanages is the most common activity identified as CSR, followed by sponsorship of sporting events; cultural ceremonies; education and health provision; and donations to religious and arts organisations.[31]

The case studies below highlight the experience of Anglo American in addressing HIV/AIDs in the workforce, and the approaches taken by Goldfields and Rio Tinto to investing in local community development.

Case example: Anglo American's HIV AIDs Program

Anglo American's HIV AIDs program focuses on employees and aims to break the cycle of new infections and to ensure that people infected with HIV are assisted in staying healthy and economically active. A key element is early diagnosis and access to treatment, coupled with HIV prevention campaigns. Since 2008 the company has extended the HIV prevention, care support and treatment programme to dependants of employees.

Research into the costs and benefits of the program found that providing anti-retroviral treatment reduces employee by 1.9 days per employee, reduced healthcare costs and staff resulting in a net saving of $93 per month per individual treated. The overall impact of HIV/AIDS on the Group, including the cost of the ART programme, was calculated at 3.4% of payroll.

Anglo American is also an active member of the global coalition on HIV AIDS and the South African Business Coalition against HIV/AIDS, working with other companies to share good practice and raise awareness and support for the issue.

Gold Fields is the largest gold producer in Ghana. Its direct investments have helped to support the development of infrastructure in mining communities including roads, houses, schools, hospitals, the extension of electricity and training opportunities for Ghanaians. To ensure adequate funding for the company's social investment and social partnership activities, Gold Fields established a Trust Fund in 2002. Funding is based directly on production and profitability through a yearly contribution of US$1.00 of every ounce produced plus 0.5 percent of pre-tax profit. This provides over US$1 million a year for social investment activities directed at Educational, Health and Income Enhancement projects within the communities. Projects are identified through with community leaders and a community consultative committee and are in line with local and national government objectives. In 2005 Gold Fields launched a 5-year Community Development Programme. The programme was developed to be a high impact, result focused, sustainable and integrated community development programme that focuses on economic growth, wealth creation quality of life improvement, and empowerment through education, capacity building and infrastructure development.

Although the company has developed a five year program, and has a team of development specialists, it is not seeking to become an expert in development or take on the role of government. Toni Aubynn said "We cannot resolve every issue, so we know we have to work with government. Our team has that expertise. But as a business our core business is mining. We have to partner with the organisations whose core business is focused on development."

Case example: Simandou Project

Simandou is a iron ore mining project located in Guinea which is being developed in partnership between Rio Tinto and Chinalco. It is in the final stages of exploration and feasibility studies that have taken twelve years. Mine, railroad and port construction is expected to commence in 2010 with production starting in 2013. The Simandou project aims to build enduring relationships with neighbouring villages and communities that are characterised by mutual respect, active partnership and long-term commitment. This is in line with Rio Tinto policies laid out in its 'The way we work' policy and the requirements the IFC.

The project is working with neighbouring communities, the government and NGOs to understand the social, environmental and ecological issues in the region and develop a plan for sustainable development to ensure that benefits brought to the local community remain after the eventual closure of the mine. Key elements of sustainable economic impact identified, include:

- **Economic growth** – capital investment through infrastructure and the payment of taxes and royalties.
- **Revenue Transparency** – support of the Extractive Industries Transparency Initiative.
- **Indirect economic benefit** – rehabilitation/development or railway routes and the expansion/development of port facilities will allow for other producers and communities to benefit from investment.
- **Small and medium enterprise development** – The project is investigating the development of spin-off industries and small and medium enterprises.
- **Employment and skills** – In order to create local jobs; the project has been investing in education to raise the level of literacy of the local population, and with it the potential for students to enter into more further education.
- **Community development** - building the capacity of local institutions to address community-identified priorities.
- **Environmental Protection** – minimisation of impact to the environment from mining operations

In order to progress this broad agenda and enable economic transformation in Guinea, the project is seeking to form a wide partnership with local actors. It will need to meet Guinea's need for speedy development, as well as the highest international environment, social and governance standards. It will also be a learning opportunity for Rio Tinto and Chinalco working together towards sustainable development.

> *"It is a myth that Chinese companies have particular problems and concerns in Africa. Of course, there are good companies and those that are not so good, as there are in Europe and North America, and across Africa. But the real lesson is that good companies have much in common whether they are African, Chinese, Brazilian or British. And it is this good practice that must be recognized, celebrated and advocated for others."*
>
> *Sebastian Wood, UK Ambassador to China*

EXPERIENCES OF CSR AMONGST CHINESE BUSINESSES IN AFRICA

The practice of CSR amongst Chinese enterprises is growing. A previous study "Responsible Business in Africa -- Chinese Business Leaders' Perspectives on Performance and Enhancement Opportunities", involving the co-authors of this report investigated the key drivers and features of 'CSR with Chinese Characteristics'.

The study surveyed perceptions amongst business leaders of a range of Chinese enterprises operating in Africa found that almost all were familiar with the concept of CSR, and the need to be seen to contribute to, and meet the expectations of their host communities. They general described CSR in terms of contributing to local economic growth and job creation, complying with local laws and caring for the environment, and making philanthropic donations to support schools and hospitals.[32]

The study noted that the key drivers behind the recent growth in CSR activity amongst Chinese companies are:

- **Government support for CSR**. In contrast to the West, where the pressure for CSR has primarily been driven by civil society, for Chinese companies it is driven in particular by government as a stakeholder. The current administration is actively pursuing CSR, as a strategy for promoting the implementation of the concept of "Scientific Development," and "Harmonious Society." In 2008, SASAC published "CSR Guideline for Central State-Owned Enterprises" The guidelines enjoin state owned enterprises to strive for four goals: long term business success and payment of taxes, ethical behaviour, safeguarding workers' rights and interests; protecting the environment, and contributing to social welfare through philanthropic spending. [33]

- **Adoption of international standards, and involvement in international collaborations**. While Chinese companies have been wary of joining or adopting many of the multi-sector collaborations and standards on CSR, there has been increasing adoption of process based standards such as the GRI Sustainability Reporting Guidelines, and ISO environmental management system standards. In addition, by 2008, nearly 200 Chinese companies had joined the UN Global Compact, accepting its ten principles on sustainability, and making it one of the top 6 countries in terms of participation.
- **Establishment of CSR training and skills development programmes**. Since CSR is still new to many in China, the demand for ongoing training continues to rise. Training courses are already being conducted by institutes such as the International Labour Organisation (ILO), German, Swiss and Swedish technical cooperation agencies, and the WorldWide Fund for Nature (WWF).

While Chinese CSR has initially focused on domestic concerns, it is also expanding to overseas operations, including in Africa. This has been driven by the same factors driving CSR at home, but also by the need to respond to local stakeholder expectations and the practices and policies of joint venture partners. CNPC, Sinopec, and other Chinese multinational companies included overseas performance as part of their annual CSR reports, while SinoSteel in 2008 was the first Chinese company to publish a dedicated report on their African operations.[34] In 2007 MOFCOM held a meeting with 67 Chinese companies operating in Africa, in which it encouraged them to establish the awareness of CSR and develop harmonious economic relations with Africa. Key operational guidelines were to provide quality products and services; improve communication and exchanges to support each other in risk prevention and sustainable development; advance local employment, abiding by the law and international business ethics; protect the environment, respect local culture and customs; and give to Africa through philanthropy in education, healthcare and environment.[35]

"In our study visit to 15 countries in Africa we found that most Chinese investors were in harmony and compliance with local community and were investing in charity programs. Some companies are polluting in the environment and need to improve their practices. But some are doing good. CSR was not born in China, but goes back to the Confucian idea - If you want to benefit yourself, first benefit others."

Yao Guimei, Deputy Director, Dept. of African Studies, IWAAS, CASS

In common with the experience of CSR around the world, larger Chinese businesses, whether SOEs or major private companies have tended to have a greater incentive and capacity to address CSR-related issues than smaller enterprises. In general larger companies are seen as operating comparably with other multinationals; however both Chinese companies and local stakeholders often complain that smaller and private companies in particular do not comply with local regulations.

Chinese companies at the conference shared their experience and approach to contributing to development in Africa. Zhang Weiping, former Chief Economist of the Chinese state owned oil company CNOOC shared how the company supports local healthcare and social projects, for example training local people, donating power equipment, building wells and building and donating equipment to local schools in Guinea and Kenya. *General Manager* from construction company CITIC explained that the company provides healthcare free of charge to villagers along the expressways it is building in Algeria *"We dig wells, build roads and bridges. We build schools. We have donated money to the government to develop an institute for managing major projects."*

Participants reflected candidly on their experience of developing CSR policies and practices in their operations in Africa. Jing Ning, Director of the Department of West-Asian and African Affairs of MOFCOM noted that while all contractors to assistance projects are compelled to comply with local norms for labour relations and environmental production, often business imperatives and cultural barriers can be obstacles to greater economic benefit. *"Many companies take Chinese engineers with them to speed up the project. But they don't speak the local language. Then it becomes difficult to train local workforce"* he said.

Chinese companies spoke of the need to work with local partners and build up experience of working collaboratively with civil society organizations. Dr Chen Xiaohong, Director-General, DRC-ERI highlighted the relationship between local and national governments in Africa, which is different from what Chinese companies are used to at home *"The government cannot just step in and tell companies everything to do, and Chinese companies often don't know how to deal with the conflict between different levels of government".*

As latecomers to global expansion Chinese companies are often pursuing opportunities in the riskiest and most difficult business environments, and they also lack international experience in working with civil society organisations. Jill Shankleman, in her study of the role of Chinese enterprises and natural resources concludes that *major Chinese corporations are at a stage "comparable to that of their western counterparts in the late 1990s in terms of steps to improve social and environmental performance…they are making commitments, spending money on environmental improvements and social projects, and celebrating their successes …however they have not yet developed detailed policies or procedures …. They are supporting philanthropic projects, but in most cases without a clear understanding of how to ensure the acceptability or sustainability of those projects, and have not yet built up the internal expertise to fill these gaps."*[36]

Many of the presentations and discussions during the Beijing Dialogue in many respects matched this description. However they also emphasised the advantages that Chinese companies are able to offer for economic development, through their efficiency and lower cost structures. The Chinese way of working, where staff including managers, technicians and labourers live and work on the site and share basic living conditions saves time and costs and enables managers to rapidly respond to challenges as they occur. [37] Chinese companies, and groups of companies are also able to offer end-to-end solutions combining infrastructure development with natural resource extraction, again giving them a competitive advantage in the most difficult of operating environments.

Some of the companies described an evolving CSR approach which was gradually bringing the management of corporate social responsibility closer to the core business, and developing management capacity and systems. Chen Xiaowei, General Manager of Sinosure, (The China Export & Credit Insurance Corporation) reported on how the company has integrated environmental, social and governance criteria into their risk assessment processes as part of their business procedures for managing and reducing risk "this is just another part of our business process, *social responsibility for us means ensuring that enterprises are able to operate on a stable basis, and that the support from us is sustainable. It is important to review and address social and environmental risks first, so the project is not stopped by emergencies."*

"Chinese enterprises must learn local rules on corruption and labor, help to set international rules, learn how to follow these rules together, have better relations with local communities. This is why we are collaborating with the Federation of Ugandan Employers. "

Liu Hansong, Employer Department China Enterprise Confederation

The Chinese enterprises, think tanks and government institutions at the Beijing Dialogue were open that CSR is a new development, and that they are still developing capacity, expertise and systems. They called on domestic and international institutions to help support learning and development of CSR capacity in China. One key example highlighted of such a learning partnership was the collaboration in Uganda between Chinese, Norwegian and Ugandan business associations. Martin Kasekende, the Chairman of the Federation of Ugandan Employers and Liu Hansong, Director, Employer Department China Enterprise Confederation described the tripartite cooperation developed with Chinese businesses and Norwegian support, to improve performance on environment, health and safety.

Case example: A tripartite collaboration in Uganda

In Uganda a tripartite coalition has been developed between the Federation of Ugandan Employers, the China Enterprise Confederation and the Confederation of Norwegian Enterprise Labour Organisation.

Established in 2007, the main objective of the coalition is to assist Chinese companies doing business in Uganda to address challenges related to labour relations, decent work, CSR and health and safety. The initiative developed following new labour laws issued in Uganda in 2006. The employers' federation developed a simple guide translating these laws into Chinese and identified a broader demand from Chinese employees in the manufacturing and hotels sector for further guidance, and for a forum to help bridge cultural and language divides.

Seminars and field visits to companies have been carried out both in China and in Africa. Through the sharing of experiences and best practices the project has developed a set of guidelines and best practice case studies aligned to the UN Global Compact principles, for doing responsible business in Uganda.

Common lessons that emerged from discussion of the experience of Western, Chinese and African companies include: [38]

1. **Engage and collaborate –** engage and involve local people in a meaningful way, so that company activities are responsive to their concerns, are recognised and are designed for sustainability and long-term hand over to communities.

2. **Manage CSR like you mean business** – CSR needs to be managed professionally and as an integral part of business operations. This means building capacity, setting clear goals, metrics and targets and managing performance.

3. **Be transparent and communicate policies, contributions and success** – clear and open communication, aimed at a wide range of stakeholders, not simply government officials is crucial to gaining recognition and benefits from CSR.

4. **Coordinate with national and local development goals**– CSR should go beyond ad hoc philanthropic donations, but it should not usurp the role of government. Critical is to

"If you want different groups to talk about common problems they need a common language, if you want companies to incorporate issues into management systems, you need indicators, and confidence that they are the right indicators. If you want social feedback loops from markets they need comparable information. Therefore you need standards on performance and reporting. "

Sean Gilbert, China Representative, Global Reporting Initiative

work with local and national governments to contribute to overall development priorities and build the capacity for government to support broad-based development.

DEVELOPING AND LEARNING FROM STANDARDS

As companies build up experience of CSR, the development of standards has emerged as a powerful tool for codifying and sharing learning and ensuring a common standard of practice.[39] Over recent years a range of standards have been developed by businesses, governments and NGOs working together to offer guidance and common concepts, indicators and performance frameworks.

Resettlement is a key issues. There is different legislation in every country we operate in. But that is over complicated and also does not meet our values. It is simpler and more effective for us to apply one standard. We use the IFC standard. But we don't always manage it properly. We are still learning how to do consultation. In Limpopo we had an independent review of what went wrong and published a review on our website.

Hugh Eliot, Anglo American

These standards have been the key mechanism for scaling up from individual CSR action to broader action. It is argued that this approach has helped to advance the practice of corporate responsibility, providing clarity and a common basis of rules and braking unproductive stalemates between businesses and their critics.[40]

A number of these standards are particularly relevant to business and development in Africa, in relation to natural resources. These include the Extractive Industry Transparency Initiative, the Voluntary Principles on Security and Human

Rights, the Kimberley Process, the Forest Stewardship Council Principles, the Equator Principles (and World Bank environmental and social standards) and the UN Global Compact.

Exhibit 3: Key CSR Standards and initiatives addressing the natural resource curse.

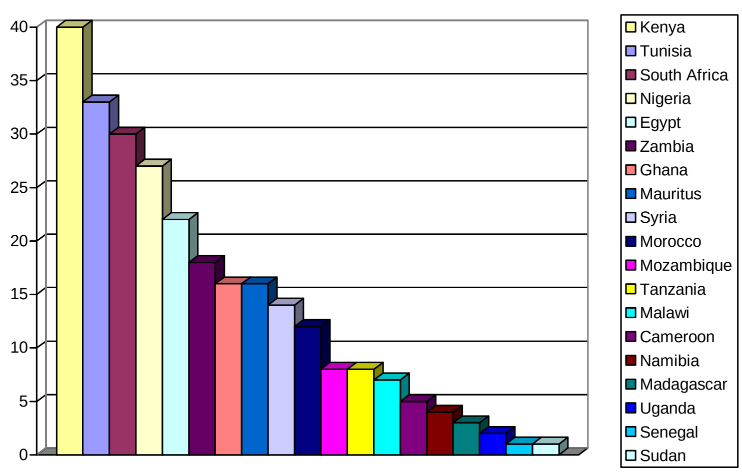
- **Equator Principles** offer a framework for environmental and social risk assessment of project finance, based on the Environmental and Social Standard of the IFC.
- **Extractive Industries Transparency Initiative (EITI),** launched is a global standard that promotes revenue transparency. It provides a robust yet flexible methodology for monitoring and reconciling company payments and government revenues at the country level. The process is overseen by participants from the government, companies and national civil society.
- **Forest Stewardship Council,** set up in 1993 is an international, non-governmental organization dedicated to promoting responsible management of the world's forests. It runs a global forest certification system that allows consumers to identify, purchase and use timber and forest products produced from well-managed forests.
- **Global Reporting Initiative** set up in 2000 to develop, steward and encourage adoption of generally accepted guidelines for public reporting on sustainability performance.
- **International Council for Mining and Minerals (ICMM)** Sustainable Development Framework, developed by an industry group provides a framework of principles for sustainable development, reporting and independent assurance for mining companies.
- **Kimberley Process (KP)**, launched in 2003, certifies diamond supply chains to ensure that legitimate supplies can be distinguished from 'blood diamonds' that finance conflict.
- **UN Global Compact (UNGC)** establishes 10 broad principles covering environment, human rights, labor, and anti-corruption, and provides guidance, tools, learning and collaboration networks to assist companies in meeting and communicating on these principles.
- **Voluntary Principles on Security and Human Rights (VPs)** launched in 2000 set out a standard to ensure that security forces protecting extractive projects do not intimidate or harm local people.

> *"There needs to be local ownership of standards, not colonialism in terms of universal standards. Countries like China should have its own rules and principles. We need to nurture diversity in this area. Levis and Nike had their own standards, which contributed to competition in the market. Let Chinese players develop their standards and competition before you can talk about convergence."*
>
> *Liang Xiaohui, CNTAC*

While standards have often been developed through the championing of Western governments, multinationals or NGOs, they are increasingly being taken up by leading businesses from emerging economies, as a way to meet consumer demand, and enable upgrading to world class business practices.

The UN Global Compact is one of the most widely adopted CSR initiatives in Africa. Local networks have been established in 11 African countries. These networks have tended to prioritise the human rights and labour standards dimensions of the UN Global Compact's ten principles in their activities.[41]

Exhibit 4: UN Global Compact Membership Across Africa



[Source: UNGC website, consulted April 2010]

While international standards for CSR offer clarity and an established basis of expectations, they are not always a perfect fit with local needs and need to be adapted and cevolved, so that they are effective and useful, and do not become barriers to entry for new investors.

African governments and organisations have therefore also begun to develop their own CSR principles and standards. In 2008 the Executive Council of the African Union (AU) announced its decision to facilitate the private sector's critical role in promoting Africa's regional and continental integration agenda. The Government of Nigeria is attempting to pass legislation to make a minimum level of philanthropic CSR contributions mandatory for businesses in the country. The bill also proposes the establishment of a commission, whose duties would include providing standards, integrating social responsibility and international trade issues, conducting research, brokering partnerships between businesses and local communities and ranking of organisations according to their CSR initiatives.[42] Kenya, Mauritius, Morocco, Ghana, South Africa and Zimbabwe nominated their national standards bodies to play an active role in developing the ISO 26000 SR Standard, while industry and expert delegates from Nigeria, Côte d'Ivoire and Cameroon have also participated in the working groups.[43]

> *In developing the SASAC CSR guidelines we borrowed from international organizations and standards and linked with the specific context of china. Before the SASAC decree, state owned enterprises were each doing their own thing on CSR. They were mainly concentrating on donation of charitable funds. After the publication of this decree they have developed action plans and management systems and capability"*
>
> *Hou Jie, SASAC*

In 2010 a group of national leaders and opinion formers came together to develop the Monrovia Principles, a made-in-Africa set of CSR guidelines. Delegates including President Ellen Johnson Sirleaf, President of Liberia, John Kofuor, Former President of Ghana Luisa Dias Diogo, Prime Minister of Mozambique, Mozambique; Dr Sydney Mufamadi, former Minister of Provincial and Local Government of South Africa and Patrick Mazimhaka, Former Senior Presidential Advisor to the President of Rwanda and Former Deputy Chairperson of the African Union Commission. The Monrovia Principles emphasise CSR as a growth partnership between business, government and civil society, aiming at encouraging entrepreneurship and inclusive economic growth. However they also call for businesses to contribute at least 0.7 of their profits to CSR activities, paralleling the donor Official Development Assistance target, and suggesting a view of CSR that remains concentrated on philanthropy rather than core business practices.[44]

Chinese companies and industry sectors too are responding to international standards, whether through individual adoption, developing their own standards or seeking to engage with and influence existing standards.[45] Presentations at the Beijing Dialogue illustrated each of these approaches.

- **Adopting standards:** Many companies in China are using international standards such as the UN Global Compact principles and the GRI standards for reporting and the ISO standards. China' Industrial Bank has adopted the Equator principles for project finance. *"We found that these principles consistent with our own policies. We have made some revision of the principles, and developed our own tools that fit with them"* explains Su Tingting of the Legal and Compliance Dept, of the Industrial Bank. They found that using the Equator principles enabled them to offer their customers a strong framework for improving their environmental practices and social responsibility, without costing more than existing environmental impact assessment processes they were already doing.
- **Developing new standards:** SASAC, the Council for Textile Industries and China Ex-Im bank have each developed their own standards for CSR, drawing on and adapting international approaches.
- **Influencing existing standards:** The Forest Stewardship Council standard and approach is being adapted and adopted in China. A multi-stakeholder group of 150 stakeholders housed within the Ministry of Forestry defines performance indicators for China based on local input.

Case example: CSC9000T

CSC9000T is a standard for responsible production in the apparel industry. It was developed by the Responsible Supply Chain Association (RSCA) of the China National Textile and Apparel Council (CNTAC) in 2005, and was the first CSR management system developed in China.

The thinking behind the CSC9000T standard is that while there the model of imposed compliance through international standards and audits, was not successful in ensuring that factories continuously improve and manage CSR performance themselves. CSC9000T is based on Chinese norms and regulations, and aims to give Chinese suppliers the guidance they need to proactively address CSR challenges in a way that takes into account the demands of the Chinese operating environment. The system enables factories to focus on long term continuous improvement rather than a one-time audit.

In promoting CSC9000T, CNTAC is seeking both to help Chinese suppliers become more proactive regarding CSR improvements but also to help Western audiences better understand Chinese suppliers.

Since its development the standard has evolved to include environment and fair competition principles. CNTAC is now building up the capacity for grading and assessment, and also working with other standards organizations on prospects for mutual recognition.

Case example: The Forest Stewardship Council in China

The FSC is an independent, non-governmental, not-for-profit organization established to promote the responsible management of the world's forests. It is a multi-sector organisation which brings together organisations from the North and South to define environmentally appropriate, socially beneficial and economically viable forest management standards, and controls. In China over 1.3 million hectares of forest and 1,250 companies are certified to FSC standards.

As part of the FSC's effort to decentralize its activity to the national and regional levels it has established the FSC China-National Initiative Process to develop a forest certification standard compatible to forestry conditions in China. The FSC China -National Initiative Process is not subordinate to the FSC, nor is it its agent.

The FSC China National Initiative aims to help realize a mutual recognition between China's national forest certification scheme and and international standards. It seeks to encourage the involvement of China's stakeholders in forest certification and assist in the development of national forest certification standards, as well as promote the awareness and operationalisation of sustainable forestry in China.

The FSC China National Initiative Process has 107 members from government departments, academies, universities, professional associations, forest management units, timber processing enterprises, non-governmental organizations, and the news media. It is governed by a Council elected by all the Initiative's members and evenly divided between environmental, social and economic chambers.

The FSC has also signed a Memorandum of Understanding to collaborate with the Certification and Accreditation Administration of the People's Republic of China (CNCA) to promote the development of forest certification in China. This involves information exchange, training, technical collaboration and coordination in the development of certification standards

Case example: China Ex-Im Bank's social and environmental standards

The Export-Import Bank of China was established in 1994, as a wholly owned by the government bank reporting to the State Council. The bank's role is to promote exports and investment by providing export credit, international guarantees, loans for overseas infrastructure and official lines of credit. As such it is the largest stakeholder of 'China inc' in Africa.

Since 2004 China ExIm Bank has required its borrowers to submit to internal review and comply with local laws of the host country. The policy states that 'projects that are harmful to the environment or do not gain endorsement or approval from environmental administration will not be funded'. It stipulates that 'once any unacceptable negative environmental impacts result during the project implementation, China Exim Bank will require the implementation unit to take immediate remedial or preventive measures. Otherwise, they will discontinue financial support'. In 2007 China Exim Bank issued more specific guidelines on social and environmental impact assessment. The guidelines require projects to comply with host country policies – but not international standards – regarding environmental assessment, resettlement and consultation. China Exim Bank takes an active role in monitoring environmental impacts throughout the project cycle, and reserves the right to cancel a loan if environmental impacts are not adequately addressed.

In developing their own principles China Exim bank and materials that they have developed to guide credit officers and management, they drew on others experience, including the Equator Principles. They also learnt their own lessons in developing an in house culture of risk awareness and responsibility. "We had to understand CSR and sustainability not as trying to deal with bad effects of any project financing, but a way of understanding and controlling risk.

Ex-Im has not become an Equator principles bank, but says Zhao Changhui, Chief Analyst of Country Risk Management, Exim Bank there is a "moral imperative to study these principles at the level of practitioners. The concept may be new but the values have been there all the time. We need to crystalise it into the language of the Chinese characters. Senior executives may be frightened away by these principles or that principles. We need to simplify it and educate the corporate culture to develop a better stronger and more reputable china."

Some CSR standards are not designed directly to be adopted by companies but to provide a framework which governments adopt into law and companies then comply with as part of the conditions of their license to operate. This is how the Extractive Industry Transparency Initiative operates. Twenty-six resource rich countries are implementing the EITI. These governments publish independently audited accounts of the revenues paid by extractive industry companies and received by governments. Many of the world's largest oil, gas and mining companies also support the EITI process and submit an International-level Company Self-Assessment Form.

> *"It was not that long ago that bribes were tax deductable in Sweden. We have collective responsibility that things are done differently in the future. EITI is not a solution but it is a start. Just as companies start cautiously engaging with communities, countries have to start cautiously."*
>
> *Jonas Moburg, EITI*

To date, neither the Chinese government nor any Chinese companies are formally supportive of the EITI, although several companies have reported as part of nationally mandated frameworks. Considerable surprise was voiced by some Chinese participants that what they had conceived of as a voluntary initiative in fact involved African and other governments and national legislation in several African countries. Jonas Moburg of the EITI Secretariat, Negbalee Warner, National Coordinator of the EITI in Liberia and Humphrey Asobie, EITI Chairman in Nigeria outlined how the EITI framework had been adapted and implemented by governments in Africa.[46]

Case example: EITI in Liberia and Nigeria

Liberia's natural resource wealth has long been at the centre of the country's conflicts and corruption. In 2005, the new government led by President Ellen Johnson-Sirleaf vowed to ensure national growth, development and reconciliation, through better transparency in how revenues from the extractives sector are managed. [47] The EITI offered a strong basis for implementing these principles, although it had to be adapted to the local situation, for example in Liberia the EITI has been extended to forestry as well as to the mining sector.

In Nigeria it was the oil company, Shell, which started first to publish what it paid to government. Nigeria established a national EITI stakeholder group in 2007 and passed a law to enforce it. The NETI act makes EITI disclosure mandatory, ensuring transparency between oil companies, government and citizens. NEITI includes process audits, which check not only whether funds have been received, but whether payments due have been calculated correctly on the basis of production.

The benefits of implementing the EITI in both countries have been:

- **Providing an opportunity for society to know clearly what companies have paid and what governments have received**. Periodic independent audits have opened up a hitherto opaque industry to public scrutiny. If what is reported as received is materially different from what is reported as then the tax can be recovered. For example in Nigeria $1 billion of revenues were recovered in the first year and $2.8 billion in the following year.

- **Improving community and public relations for companies.** When communities know what companies have paid they are less likely to resort to violent conflict against the company. The opportunity to pursue these issues through civic interrogation of public officers provides a social safety valve. For companies it also gives a security that if the government changes, there is a public record of payments made and received.

The national coordinators in both Nigeria and Liberia stressed that the report itself is not an end. What it does is to enable a conversation between the people and the government, about how the amounts received have been used. For this to be effective there is also a need to build the capacity and empowerment of civil society to effectively use the disclosures to hold government bodies to account for spending.

Participants reflected on the usefulness of international standards in providing guidance, models and tools as well as ensuring international recognition, and the need for them to continue to evolve. Many stressed the need for international models to be adapted for Chinese companies' own contexts.

This reflects a strong concern that international standards, while not designed to create distortions or favour incumbents, may in effect, act as barriers to new entrants doing business in Africa. This impacts especially in the most difficult operating environments where Chinese companies have the highest competitive advantage and opportunity to compete as newcomers. In these situations Chinese companies are concerned that CSR standards set to meet the working practices of Western companies will directly undermine their own business strategies, and ultimately their ability to create employment, build infrastructure and benefit local economies.

International development agencies and standards institutions confirmed that there was little robust research on this matter.

> *"Chinese companies can gain from higher awareness of CSR and learning from experience. We can open up the door and listen to experience from all other countries. We need to participate in the drafting of international rules and norms, and be responsible for the rule making process and for promotion so that others understand the CSR practiced by Chinese companies."*
>
> *Mr Chen Xiaohong, Director-General, DRC-ERI*

CONCLUSIONS

The discussion amongst practitioners highlighted how responsible business practices are making a positive contribution to development in Africa. However, as many pointed out, there is still much to learn to ensure that the exploitation of non-renewable resources provides a basis for sustainable development.

Chinese companies have 'gone global' at an earlier stage in their home country's economic development than other nations and face a steep learning curve on how to manage social and environmental performance in relation to different operating environments, and stakeholder expectations in Africa. They are working to build up capacity for environmental and social performance management

> *"CSR must be integrated into business Many Chinese companies do not yet have CSR department. However they are already doing far more in the area of CSR than they are letting people know. We have to both strengthen the publicity, and improve the CSR performance."*
>
> *Yang Guang, Director-General, IWAAS, CASS*

Participants from all sides welcomed the opportunity to learn from the experience of others, and recognized the benefits of adapting international best practices and standards, at the same time as contributing their own experience to shape these evolving standards. However there was real concern that CSR standards, could, if they are not responsive to the contexts and needs of new investors become barriers to the very development they seek to promote.

At the same time Chinese CSR is not simply a late adoption of a Western business model. As our previous study highlighted, business leaders in China view CSR through an economic development lens, and stress the efficiency and lower cost structure of Chinese enterprises, as a key difference in enabling them to bring development benefits to new markets.

One key difference between Chinese and western conceptions of CSR concerns the extent to which they are willing to consider whether business practices reinforce or undermine local legal and political institutions, particularly in institutionally weak countries. While the Western model for overcoming state corruption in managing natural resource revenues is based on encouraging transparency, the Chinese model has tended to rely on direct provision of public infrastructure. This is aided by Chinese companies' access to low-cost and long-term capital. However, there is long experience of foreign funded infrastructure projects being developed in Africa, which do not meet local needs, and are not supported with maintenance, which remains a challenge to this model of business in development.

The discussions highlighted several areas where future research and dialogue would be helpful:

- **Research on mechanisms for securing positive development benefits from extractive industry projects.** The 'Chinese Model' of natural resource based development, such as practiced in Angola and Sudan – where resource revenues are directly used to finance infrastructure offers an alternative approach to the 'International Model' of transparency and aid conditionality. Both approaches have their challenges and strengths. With Chinese companies and government aid agencies now significant players in resource-rich countries, it is crucial that CSR developments around resource governance are broadened to include the experience and approach of Chinese businesses.

> *"Nurture the will for long term investment in Africa. Do not point fingers, but try to understand. CSR is a universal concept. All these activities and cases need to be summarized and disseminated. We need to build an environment where business people feel motivated to invest in sustainable development in Africa."*
>
> Jing Ning, Director, Department of West-Asian and African Affairs, Comprehensive Section, MOFCOM

- **Clearer exposition of the role of governments** (especially African governments) in advancing standards with voluntary and mandatory characteristics. Participants stressed that ultimately there is not a choice between 'The International Model' of CSR, and 'The Chinese Model, but an imperative for the private sector to contribute to 'Africa Models' of development, embedded in national priorities and supporting the role of government. CSR in Africa can draw on international standards but must reflect local priorities of and capacity to enable and regulate private sector development.

> *" Government agencies should encourage Chinese organisations to participate for example as experts in working groups, and providing written feedback. Join governance bodies. Secretariats would be willing to share information. Look at common values. Don't look for differences first. China should create models of best practice and introduce them out. "*
>
> *Sean Gilbert, China Representative, Global Reporting Initiative.*

- **Research on the CSR experience and practice of Chinese companies to develop Chinese CSR standards beyond normative frameworks.** Chinese organisations including SASAC and the China Textiles Association highlighted the need to develop their CSR guidelines beyond offering normative principles to providing a set of evaluative frameworks to understand degrees of compliance and improve standards through learning. This could build both on the real-time learning of Chinese companies, and transferable tools, indicators and frameworks from existing standards.

- **Development of resources and networks to enable SMEs to learn about and apply responsible business practices in Africa.** While CSR is becoming well established amongst large SOEs, many Chinese companies in Africa are private ones. Provision of education and training through the Embassy and Office of Commercial Affairs and through collaborations such as the one in Uganda would be valuable to advance CSR beyond the leaders. This is likely to include translation and training on local rules, as well as on key Chinese and international norms. One key route for establishing these networks and norms would be through the procurement conditions for contractors on FOCAC and other

> *"We are encouraging state owned enterprise to engage in international dialogue and disclose to stakeholders. We will identify good performers who can share their performance, we will then be able to work out more detailed guidance. What the central SOEs are doing is very influential to private business. Central SOEs can also learn from the experience of private business."*
>
> *Hou Jie, SASAC*

government funded projects.

- **Greater involvement by Chinese companies in key international standards and learning initiatives** to share learning and accelerate development of effective approaches. Partnerships such as the Global Business Coalition on HIV Aids, the EITI, and the UN Global Compact, and the ICMM should continue to reach out to Chinese companies and involve them in ongoing development. There are awareness raising opportunities, to help companies understand the common points between tools and priorities within China. As well as signposting the international standards and governance processes the Chinese government could encourage Chinese organisations to participate for as experts in working groups and on governance bodies.

> *"Chinese companies should participate and learn from international rules and norms. China needs to open further. China will be a very important economy in the future. We need to participate in the drafting of international rules and norms, and be responsible for the rule making process and for promotion so that others understand the CSR practiced by Chinese companies."*
>
> *Dr Chen Xiaohong, Director-General, DRC-ERI*

- **Broadening the discussion to include companies from other emerging economies.** Companies from many countries are bringing their own conceptions of corporate responsibility to Africa. India's Tata Corporation for example brings its long tradition of philanthropic corporate responsibility to its operations in nine African countries. Brazil's Vale has sought to develop a robust, global approach to sustainability that is aligned to its business strategy, and integrated into its management systems. Opportunities for South-to-South learning on CSR should be pursued.

Overall participants reflected on agenda for further research, learning and collaboration that would yield benefits for Chinese, African and Western businesses and stakeholders. A very concrete proposal which received strong general approval was that next year a meeting should be held in Africa to bring together practitioners from all sides to continue to advance this agenda.

> *"We have talked of the Chinese model of CSR and the international model. We have to consider the African model. Development starts at home. It has to start with African priorities. It has to be embedded in a long term framework that governments come forward with. That is the journey that we are starting."*
>
> *Adama Gaye, Africa China Consulting Group.*

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