



Parliamentary Centre
Le Centre parlementaire

Pulling Together to Strengthen Corporate Social Responsibility in the Natural Resources Sector: What African and Canadian Parliamentarians Can Do

Report from the Second Annual Africa-Canada Parliamentary Policy Dialogue

Introduction

In post-independence Kenya, people had a slogan for pulling together and that slogan was *harambee*. *Harambee* was a call to cooperate in the name of national development. Today, communities and their leaders are pulling together across borders and from across oceans to address political, social, economic and environmental issues of mutual concern.

One such cross-cutting issue is corporate social responsibility, or CSR, as it pertains to natural resource-based industries. Something that many African countries have in common with Canada is their access to an abundance of natural resources. Tales of how these resources were extracted, transported and sold are central to African and Canadian histories. Moreover, how Canadians and Africans now choose to manage resource sectors will affect future courses of development and it is increasingly recognized that sound development is impossible without good governance.

There is a role not only for governments to play in the oversight of resource-development initiatives, but also a role for legislatures. To create a shared understanding of their role in improving and promoting good corporate governance and social responsibility in the natural resources sector, parliamentarians from Canada and from eight African countries gathered in Kenya's Great Rift Valley for three days of interaction. Supported by the Canada Fund for Africa, the 2004 Africa-Canada Parliamentary Policy Dialogue was one of the first times that parliamentarians from the North and from the South met face to face specifically to discuss this issue.



Participants assemble at Kenya's Great Rift Valley Lodge

I. Corporate Social Responsibility: Concepts and Benchmarks

Corporations are integral members of global society. While the bottom line is important, well-run corporations are increasingly realizing that incorporating CSR into their operations is serving to underscore their bottom lines. Corporate managers remain accountable to shareholders, of course, for the maximization of profit. 'Instances,' however, 'in which companies respond to interests in addition to those of their shareholders', as the Canadian Democracy and Corporate Accountability Commission put it, are now seen to comprise the substance of CSR. ¹ A broad definition offered by the International Organization for Standardization characterizes CSR as 'a balanced approach for organizations to address economic, social and environmental issues in a way that aims to benefit people, communities and societies'.² There is, however, no universally-accepted definition of CSR and important conceptual issues remain unresolved.

While some studies focus on philanthropy, the more substantial part of the CSR agenda is about corporate accountability to codes of conduct. Whether such codes ought to be binding or non-binding, mandatory or market-driven, is an area of contention in recent scholarship. For generations, governments in North America and Europe have regulated various industries for various purposes. What is relatively new is that economic globalization and

¹ Canadian Democracy and Corporate Accountability Commission, p. 5.

² International Institute for Sustainable Development, available on-line at: http://www.iisd.org/pdf/2003/standards_definition.pdf

liberalization have made it easier for companies to operate overseas according to less commendable standards of CSR, to play by different rules, than they would at home.

To address this gap in norms between the North and South, binding and non-binding guidelines can be seen as complementary, rather than competing, strategies. 'Voluntary CSR, at its best, supplements legal regulation by aiming for standards higher than those existing in law.'³ There are moreover, as one study by The World Bank puts it, 'dynamic linkages between voluntary approaches and regulation.'⁴

In other words, commitments that are made voluntarily can eventually expand and harden into mandatory benchmarks. Two voluntary, international benchmarks for CSR that have growing numbers of supporters are the UN Global Compact⁵ (see box) and the OECD Guidelines for Multinational Enterprises.⁶ Launched by the UN Secretary-General in 2000, the Global Compact challenges corporations to integrate into standard business practice ten principles, spanning the areas of human rights, labor standards, environment and anti-corruption. Less universal

The Ten Principles of the UN Global Compact

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. Make sure that they are not complicit in human rights abuses.
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labor; and
5. the effective abolition of child labor; and
6. the elimination of discrimination in respect of employment and occupation.
7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.
10. Businesses should work against all forms of corruption, including extortion and bribery.

in scope but more comprehensive, the OECD Guidelines set standards in business ethics to which thirty-eight countries have agreed to adhere. A 2003 study of almost fifty companies in extractive industries showed that they cite the OECD Guidelines as often as they cite any other CSR initiatives.⁷ There are unique dynamics involved in extractive industries, however, and efforts are being made to tailor CSR measures to this sector.

II. Extractive Industries and Sector-Specific CSR Initiatives

The development of natural resources is unique among projects in the South in at least two respects: the balance of power between company and host

³ Canadian Democracy and Corporate Accountability Commission, p. 13.

⁴ Tom Fox, Halina Ward and Bruce Howard, *Public Sector Roles in Strengthening Corporate Social Responsibility: A Baseline Study* (The World Bank: October 2002), p. 1.

⁵ UN, Available on-line at: <http://www.unglobalcompact.org>

⁶ OECD, available on-line at: <http://www.oecd.org/daf/investments/guidelines>

⁷ OECD, *Policy Brief: The OECD Guidelines for Multinational Enterprises* (OECD 2003), p. 4.

country and the potential profits at stake. Until a project starts, terms of agreement are generally weighted to the benefit of the company, a company that could, after all, invest its capital elsewhere. Once large-scale, on-site investment has been made, however, the company can become a hostage to fortune. Host governments may seek to renegotiate terms, knowing that the company would rather make a narrower profit margin over the long-term than have to abandon its investment entirely. And the profits this sector generates are considerable indeed. Three-quarters of Africa's trade is based on the extraction of natural resources.⁸ In some cases, benefits have been shared equitably; in many cases, they have not. Frequently, they have fuelled conflict.

Taken in order to shed light on the above transactions are two initiatives, one launched by government, another by civil society. The Extractive Industries Transparency Initiative (EITI)⁹ was announced at the World Summit on Sustainable Development in 2002. A global, multi-stakeholder process, the EITI aims to make transparent all payments made between a company investing in a developing country and that country's government. Publish What You Pay is a coalition of NGOs that shares the aim of the EITI, but goes further by demanding that disclosure of oil, gas and mining companies' payments to governments be made mandatory. It was noted that legislatures ought to play a leading role in these initiatives so as better to ensure public accountability. The Parliament of Chad, for example, has already created the Chad-Cameroon Petroleum Revenue Oversight Committee that will monitor payments and revenues in order to hold to account corporations and governments alike.

III. The Kenya Cut Flower Industry: A Case Study in CSR

Not all major natural resource projects consist of loud machines dredging sludge. The fastest growing sector of the Kenyan economy, and third most important in terms of foreign exchange earnings, is horticulture: Kenya exports more cut flowers than any country in Africa. Dialogue participants made field visits to two Naivasha-area flower farms, Kenyan-owned Homegrown and Dutch-owned Sher Agencies Ltd. The visits amply demonstrated the socially beneficial, environmentally sustainable, and highly profitable results of CSR pressures having been brought to bear on industry.

One of the first groups in the country that advocated better labor standards, especially for women, in the flower industry was the Kenya Women Workers' Organization. In response to the workers' demands and to pressure from European buyers, independent growers founded the Kenya Flower Council in 1997. Homegrown was a founding member of the Council and committed itself not only to the Council's Code of Practice, but also, when its holding company became a member of the UK-based Ethical Trading Initiative (ETI),

⁸ Publish What You Pay, available on-line at: <http://www.publishwhatyoupay.org>

⁹ Extractive Industries Transparency Initiative, available on-line at: <http://eitransparency.org>

to the nine clauses of the ETI Base Code.¹⁰ ETI members must report on their labor practices annually and Council members are audited at least twice annually. Flower farm practices have also been inspected by the Parliament of Kenya's Standing Committee on Agriculture, Lands and Natural Resources.

Sher Agencies Limited, though not a member of the Kenya Flower Council, also shows a strong commitment to CSR. The company offers its 5,000-strong workforce free housing with water and electricity, a day-care centre, a computerized primary school, and a 55-bed hospital, which was toured by some of the parliamentarians. Why would the largest producer of roses in the world invest so heavily in worker welfare? In part, it is because Sher, too, is obliged to meet rigorous European standards. More than this, according to the farm's owner, the fewer worries his workers have on their minds, the more productive they are, and the higher their productivity, the fatter are his profits. In short, what the leading players in the Kenya cut flower industry have learned, first under pressure and then perhaps to their surprise, is that they do well by doing good.



Hon. Fidelis Chisala, MP, Senator Raynell Andreychuk, Hon. David Kilgour, MP, and Hon. Jean Augustine, MP observe working conditions inside a Homegrown Kenya pack station.

¹⁰ The Ethical Trading Initiative, available on-line at <http://www.ethicaltrade.org>

IV. Parliamentary Roles in Strengthening CSR: Recommendations

Voters Demand CSR

In a poll published in January 2002, 84% of Canadians agreed that the Government of Canada 'should attempt to obtain an international agreement on enforceable standards for socially responsible corporate behaviour and, after three years, should act unilaterally if no such agreement is reached.'¹¹ Three years have elapsed. Africans are also ready for action. According to GlobeScan's 2005 CSR Monitor, fully half (50%) of South Africans agree that their government 'should create laws that require large companies to go beyond their traditional economic role and work to make a better society...'¹²

There is virtually no mention of Parliaments anywhere in the current body of literature on CSR. In his opening address, however, Kenyan Minister Musikari Kombo drew Dialogue participants' attention to a typology of roles used in one study by The World Bank. Four potential parliamentary roles were identified: endorsing (publicity); partnering (dialogue); facilitating (capacity building); and mandating (legislation).¹³ Participants did not necessarily have these categories in mind as they brainstormed and discussed, but their recommendations for action dovetail neatly into them.

Based on their experiences, their learning and their dialogue at Naivasha, African and Canadian parliamentarians have agreed on roles that they can play in strengthening CSR and recommend the following:

1. Endorsing

- (a) Parliaments should support, and pressure their governments to support, the principles of the UN Global Compact;
- (b) Parliamentarians should formally and publicly recognize companies that have demonstrated innovation in developing sound social and environmental practices; and
- (c) African legislatures should 'internalize' the African Union Convention on Corruption so that it may be ratified at the earliest.

2. Partnering

- (a) Participants should continue to network and share ideas with fellow parliamentarians (and follow up on actions taken within one year of the Dialogue);

¹¹ Canadian Democracy and Corporate Accountability Commission, *The New Balance Sheet: Corporate Profits and Responsibility in the 21st Century* (January 2002), p. 7. The poll was conducted by Vector Research + Development Inc and was deemed accurate to within 2.2 percentage points, 19 times out of 20.

¹² GlobeScan Inc, *2005 Corporate Social Responsibility Monitor*. The survey was fielded January 3-5, 2005 to 1,000 South Africans and is considered accurate to within 3.1 percent, 19 times out of 20.

¹³ Fox, Ward and Howard, p. 3.

- (b) Parliaments should connect with the academic community and encourage scholars to conduct research on CSR, particularly in the natural resources sector;*
- (c) African MPs should work through the African Parliamentarians' Network Against Corruption (APNAC) to include CSR as an area of concern within its mandate;*
- (d) African legislatures should strengthen links with the New Partnership for Africa's Development (NEPAD) process and explore links with the UN Millennium Development Goals;*
- (e) Parliaments should work with international financial institutions and development partners so as to ensure that any conditions they impose remain consistent with CSR principles; and*
- (f) Parliamentarians should collaborate with all interested parties to come to an international consensus on a universal conception of CSR.*

3. Facilitating

- (a) Parliamentarians should identify 'homes' in their legislatures where CSR issues can be addressed (either by creating a CSR Committee as such or by grouping together parliamentary committees for the purpose of carrying out investigative work);*
- (b) Parliamentarians should strengthen parliamentary committee procedures so that CSR-related concerns can be addressed more directly and effectively;*
- (c) Parliamentary committees should evaluate existing CSR practices, laws and institutional mechanisms;*
- (d) Parliaments should raise awareness of CSR guidelines and codes of conduct (in cooperation with government, the private sector, NGOs, and constituents);*
- (e) Parliamentary committees should monitor minimum standards for companies, as set by national governments;*
- (f) Parliamentary committees should scrutinize transactions between government and companies involved in extractive industries;*
- (g) Parliamentary committees should determine what specific measures are necessary in order to create incentive and a positive enabling environment for pro-CSR businesses; and*
- (h) Parliaments should create incentives for CSR, such as tax-deductible initiatives.*

4. Mandating

- (a) Parliaments should enact anti-corruption legislation in accordance with regional and international conventions;*
- (b) The Parliament of Canada should require CIDA to ensure that any company supported by the Canada Investment Fund for Africa adhere to the standards of the UN Global Compact; and*

(c) The Parliament of Canada should amend the Special Economic Measures Act in order to exert greater pressure on Canadian companies who do not uphold appropriate standards of CSR in their overseas operations.

Conclusion

As parliamentarians in Canada and across Africa mobilize to take action on the CSR agenda they have set for themselves, they will need to collaborate at national and international levels. Clearly, there is work to be done in each country that was represented at the Rift Valley Dialogue and in this respect parliamentarians will need to refine some of the above recommendations into specific, national CSR objectives. Internationally, networks are in place to support further dialogue and co-operation: APNAC is developing linkages between CSR and its work against corruption, the Canada-Africa Parliamentary Association is following up on recommendations in Canada, and the efforts of both are being assisted by the Parliamentary Centre. May it be in the best spirit of *harambee* that parliamentarians pull together to strengthen CSR for the benefit of the people and communities they represent.

Appendix

The following are lists of the Canadian and African parliamentarians who participated in the second annual Africa-Canada Parliamentary Policy Dialogue, held at the Great Rift Valley Lodge in Naivasha, Kenya, 20th to 22nd September, 2004. The Parliamentary Centre sincerely wishes to thank all of them for their contributions, without which there would be no way forward.

Canadian Parliamentarians:

Senator Raynell Andreychuk, Hon. Jean Augustine, MP, Hon. Don Boudria, MP, Senator George Furey, Mr. Rahim Jaffer, MP, Hon. David Kilgour, MP, Ms. Francine Lalonde, MP

African Parliamentarians:

Hon. Evariste Bizimana, MP (Rwanda), Hon. Fidelis Chisala, MP (Zambia), Hon. Massoudou Hassoumi, MP (Niger), Hon. Musikari Kombo, MP (Kenya), Hon. Willias Madzimore, MP (Zimbabwe), Hon. Anne Makinda, MP (Tanzania), Hon. Christine Mango, MP (Kenya), Hon. Justin Muturi, MP (Kenya), Hon. Augustine Ruzindana, MP (Uganda), Hon. Haoua Dia Thiam, MP (Senegal), Hon. Noah Wekesa, MP (Kenya)