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Corporate Social Responsibility: Toward an Accountable Private Sector
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Background

Corporate Social Responsibility (CSR) has been adopted in different environments throughout the world as a framework to ensure private sector and profit-seeking organizations responsiveness to law and society. As a foundation for good governance, private sector should be involved in addressing social concerns including ensuring human rights, protection of environment and fighting corruption. In most countries, businesses voluntarily take actions to employ this framework to include social concerns in their daily activities. Since the private sector, especially the small and medium-sized businesses, employ one third of workforce in Afghanistan and account for 85 percent of the private sector, APPRO in 2019, conducted a case study for examining the status and ways forward to adopting corporate social responsibility as a means to foster private sector accountability in Afghanistan.

Since 1960s, the concept of Corporate Social Responsibility (CSR) has been incorporated into activities of the businesses around the world. CSR refers to voluntary commitment of an individual or profit-making organization towards the community, respecting the applicable laws and collective agreements which altogether constitute a prerequisite for taking on such responsibility. A business or profit-making organization may not act on its own and there are many other beneficiaries who are benefited or imposed harms by activities of the organization. Therefore, this concept advocates for better corporate citizenship.

A principle-based approach to CSR

Concurrently with the emergence and use of CSR, businesses and organizations introduced a principle-based approach to CSR. This framework has been derived from values, such as provision of human rights, provision of labor rights, environmental protection and anti-corruption (businesses management). Basic principles of CSR are as follows:

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and,

Principle 2: Make sure that they are not complicit in human rights abuses.

Laborers

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labor;

Principle 5: the effective abolition of child labor; and,

Principle 6: the elimination of discrimination with respect to employment and occupation.

Environmental protection

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility, especially through developing safe sewage disposal systems; and,

Principle 9: encourage the development and diffusion of environmentally friendly technologies for production of goods.

Anti-corruption (businesses management)

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery. It is a social responsibility for all businesses to promote a culture of integrity in their daily activities.

(Source: United Nations Global Compact)

Based on these principles, manufacturing companies, service providers, commercial, micro, small and medium-sized businesses commit to systematically adopt these principles internally. As an example, they develop a policy to fight against corruption and include the commitment in all strategies of the organization and allocate adequate resources for them throughout the year. Because financial analysts have, since 2000, understood that businesses have been involved in fraud and forgery, for instance, the financial crisis in 2008-2009 and recently in Afghanistan, the Kabul Bank crisis in 2010, the principle 10 was added after 2004 to enable businesses conduct the profit-making activities in line with applicable laws of their countries.

As a pillar of corruption, Afghanistan's private sector in some cases play a major role in persistence of corruption within governmental bodies. Private sector and some of the governmental bodies tend to reduce their transaction costs through paying bribes and are not willing to press for change due to not having any economic motives, fear of retaliation and prosecution by corrupt officials and lack of access to complaints mechanisms. The private sector heavily relies on the middlemen (Komishenkar) in their interactions with tax officials.

According to Special Inspector General for Afghanistan Reconstruction (SIGAR), Afghanistan's private sector development relied on the foreign forces' aids during initial years of post-Taliban period, and thus, it lacked sustainability. Also, post 2004, micro finances provided to private sector lacked efficient use because still the foundations necessary for fostering development were not established. So, given the aforementioned issues, the net result has been an unregulated private sector and absence of foundations to ensure the private sector development. Therefore, questions of the research *Corporate Social Responsibility in Afghanistan: Towards a Responsive Private Sector* were designed to examine in what conditions the businesses may be ready to practice basic principles of CSR, what do they need, what supports the government can provide for them, what could be the roles of each beneficiary including the government, international community, civil society and laborers, and finally, under what framework the CSR could be implemented.

Given the existing facts, on May 4, 2019, APPRO held a one-day open discussion forum in Herat which consisted of presentation of the case study titled “Corporate Social Responsibility and the Fight Against Corruption”, followed by an open discussion. During panel discussions representatives from local authorities, private sector, civil society and media were present.

Panel Discussion on CSR: Toward a Responsive Private Sector

Representative from Directorate of Commerce and Industries (DoCI) stated that this directorate has a specific program for CSR and has held several rounds of sessions with governmental bodies, private companies, CSOs, associations, chamber of commerce and women’s chamber of commerce to identify challenges and solutions. The directorate has also established responsibilities for businesses. For example, before issuance of a business license, the businesses should get approval of the Environment Protection Agency (EPA) to ensure their products and imports are not harmful to the environment. However, there were serious concerns amongst the participants with the applications of these laws and measures for accountability of private sector entities. For instance, a civil society representative who also owns a business stated that most of the manufacturing companies in Herat do not abide by these regulations and are using harmful raw materials in their production cycle.



Panelists uniformly agreed that private sector is perpetuating corruption and the forms vary but include bribery, underrepresentation of profits, tax evasion and most importantly hoarding. The latter has

consequences for all consumers and particularly those living on low wages. Hoarding happens when traders store daily products during abundant season for the hope of a price increment in the future. Till date, no means have been established to check the warehouses of the traders and ensure that commodities are withheld for selling at a high price during scarcity season.

One of the participants stated that quality of products is inferior and that there are no established measures to keep the rates of basic goods fixed. The participants urged for use of price tags on the food items and further insisted on public support in this regard.

However, to address the different prices imposed on goods, government has recently enacted the Consumer Protection Law. This law is a form of government regulation that aim to protect the rights of consumers. For example, a company is required to disclose detailed information about products particularly in areas where safety or public health is an issue, such as food. In this regard, a special committee consisting of members from different government bodies has been established to implement and monitor the law. DoCI has made efforts to encourage public to monitor the implementation of this law.

Overall, participants mentioned that there were major issues in the implementation of CSR-related laws, no mechanisms had been created to follow-up on the social responsibilities of the businesses and traders, and that there were deficiencies in the implementation and monitoring of the law which required the sector and different strata of the society, including the civil society, to get engaged in the process.

Given the aforementioned issues, participants and panelists summarized their opinions and recommendation as follows:

1. Business in Herat province should observe their social responsibility through making their products, exports, imports and other activities consistent with national and international standards including increasing compliance in the application of laws.
2. There should be better coordination among governmental bodies, CSOs and the private sector and awareness raising programs should be developed through press, audio and visual media for the sake of publicizing the social responsibilities of the businesses in Herat.
3. Prices of basic goods should be controlled through establishment of a committee that should consist of members from governmental bodies, CSOs and the private sector and be responsible to occasionally monitor prices of basic goods. Also, the committee should oversee the quality of products manufactured in industrial parks in Herat.
4. Awareness raising programs should be developed and offered to private sector so that they can become aware of CSR.
5. Increase and/or establish coordination between relevant bodies involved in the CSR arena. The coordinating mechanism should involve Directorate of Finance (Mustofiat), Directorate of Commerce and Industries, Directorate of Labor, Social Affairs, Martyrs and Disabled, Environment Protection Agency of Herat and the Afghanistan National Standards Authority.

Private sector representatives can be Herat Chamber of Commerce and Industries, Herat Women Chamber of Commerce and Industries and CSOs in the province.

6. In order for the Afghan products to gain a world-wide recognition, including saffron, carpet and dried fruits, international standards such as UNGC and ISO standards should be adopted. The benefit of implementing these standards is that they enable businesses to regulate their daily activities and interactions with the community members and provide them with necessary technical advice.