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Corporate Social Responsibility and Anticorruption in Afghanistan

Corporate Social Responsibility is “the responsibility of enterprises for their impacts on society. Respect for applicable legislation, and for collective agreements between social partners, is a prerequisite for meeting that responsibility. To fully meet their corporate social responsibility, enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders, ... identifying, preventing and mitigating their possible adverse impacts.” [1]

Background

The negative effects of administrative corruption on social and economic development are widely understood. Corruption undermines trust in government, creates economic inefficiencies, hinders investments and, in general, undermines efforts to create and sustain good governance practices.

In Afghanistan the private sector and government are complicit in and confounded by corruption. Effective and lasting solutions to solving the problem of corruption require actions taken in tandem by the government and private sector.

Despite the government's efforts to promote business and its commitment to improving the environment for business activity, businesses continue to struggle against numerous forms of corruption including bribes being demanded by government officials in return for public service in licensing and relicensing processes and in assessment and collection of taxes, for example. To one degree or another, corruption is ever present in all forms of public service delivery.

The private sector in Afghanistan is simultaneously a victim and a perpetrator of corruption in its dealings with the government. There are numerous cases of business owners paying bribes to reduce the amount of taxes payable to the government or to overcome inefficient bureaucratic hurdles to acquire or renew their business licenses. [2]

[1] See: European Commission at: https://ec.europa.eu/growth/industry/corporate-social-responsibility_en

[2] See: APPRO (2017). Re-conceptualizing Corruption in Afghanistan: An Institution of Bad Governance. Project Report. Kabul: APPRO; and APPRO. (2014). Business Licensing in Afghanistan: Procedural Reform or Institutional Regression. Working Paper. Kabul: APPRO

Little is known about how businesses in Afghanistan see their potential role in fighting corruption, and whether a positive role could be defined for private sector actors in fighting corruption.

Corporate Social Responsibility (CSR) has served as a useful model for businesses to align business interests with community interests and remain within the bounds of law, while continuing to succeed in their pursuit of profit.

About CSR

Corporate Social Responsibility (CSR) as a business model was first articulated in the 1950s, first in the United States and later in Western European countries in the 1980s and the European Union member states in the 1990s as a result of demands on businesses to account for the externalities of their profit seeking activities.

CSR may be defined in strictly legal terms, referring to the obligation by private enterprises to operate fully within the law, or more broadly in terms managing and eliminating negative externalities of business activity such as adverse social, environmental and health impacts. It is now generally expected that, at a minimum, companies should do no harm in the course of their activities to their employees and the communities within which they operate.

Several trends have been identified as driving the adoption of CSR by businesses around the world. These include:

- The shrinking role of government in social and environmental protection
- Increased demands for transparency about the ethics and outcomes of business practices by customers, suppliers, employees, communities, investors, and citizens' organizations, and
- Increased customer and investor interest in sustainable business practices. [3]

There have also been detractors who argue that the only social responsibility of businesses is to increase profits and that CSR encroaches on the proper terrain of government. The detractors further argue that managers are not trained in addressing public policy questions and thus lack

appropriate expertise to pursue, or be held accountable for, public policy issues. [4]

This latter line of reasoning is very much in evidence in the current thinking of the private sector and its representative associations in Afghanistan. Indeed, since 2001, the private sector in Afghanistan has operated as if there are no rules or regulations with which it has to comply and that there are no moral codes governing business activity, including on protecting workers, the environment, and the community.

The Case for CSR in Afghanistan

No systematic assessments or studies have been conducted about the extent and nature of CSR adoption in Afghanistan, with the partial exception of the telecommunication field. [5] There is also an absence of information about how particular laws, policies, ministerial procedures, and donor agency programs and funding modalities influence CSR activities among businesses in Afghanistan.

Given its widespread recognition and appeal, at least to communitarian business owners and operators, CSR provides an opportunity for galvanizing the business community in Afghanistan to do more for the good of society, including fighting corruption.

CSR is significantly influenced by the United Nations Global Compact, launched in 1999 as a call to businesses worldwide to help build the social and environmental framework to support and ensure the continuation of open and free markets while ensuring that people everywhere have a chance to share the benefits of the new global economy. [6]

CSR is now closely tied to the Sustainable Development Goals (SDGs), launched in 2015 to underline the interrelated nature of development challenges and the necessity for broad stakeholder engagement to tackle them.

The SDGs are explicit on the need to engage with, and encourage, the private sector to adopt responsible business practices and report on the sustainability impact of its operations (Goal 12.6). In addition, businesses are

[3] International Institute for Sustainable Development. *Corporate Social Responsibility*. Retrieved from: <https://www.iisd.org/business/issues/sr.aspx>

[4] Friedman, M. (1962, 1982). *Capitalism and freedom*. Chicago: University of Chicago press. See also: Friedman, M. (September 13, 1970). The Social Responsibility of Business is to Increase its Profits. *The New York Times Magazine*.

[5] Azizi, S., & Jamali, D. (2016). CSR in Afghanistan: a global CSR agenda in areas of limited statehood. *South Asian Journal of Global Business Research*, 5(2), 165–189.

[6] See: <https://www.ioe-emp.org/en/international-organisations/united-nations-global-compact/>

encouraged to partner with government and civil society as part of SDG 17. [7]

CSR is also linked to voluntary standards for business management, developed the International Organization for Standardization (ISO). Of particular relevance to CSR is ISO 26001, released in 2010 to provide guidance on how to conduct business with social responsibility and ISO 37001, released in 2016 to provide guidelines for businesses on how to fight against corruption by establishing a culture of integrity, transparency and compliance. Some corporations and countries have made commitments to adopt ISO 37001 as an instrument in fighting corruption. [8]

In Afghanistan, the liaison for ISO-related activities and commitments is the Afghan National Standard Authority (ANSA).

Incentives for businesses to adopt CSR programs and ISO standards include strengthening brand and corporate reputation with customers and suppliers and attracting and retaining a committed and skilled workforce. Commitment to CSR and adoption of ISO standards can also enhance profitability, competitiveness and risk management. [9]

There is a business case for including anticorruption in CSR to minimize or eliminate the impact of corruption on businesses in terms of operational costs and legal and competitive risks. Failure to address corruption puts a financial burden on society, undermines service provision and investment, tolerates crime, and contributes to instability, all of which have negative bearings on the business environment. [10]

A Strategic Approach to CSR

Afghanistan can be characterized as a country with "limited statehood." [11] Limited statehood results, among other things, in endemic corruption and an inability by

state authorities to combat corruption even if state authorities have the political will. [12] CSR initiatives in Afghanistan will be shaped by the rapidly evolving political and regulatory environment.

Despite the many political uncertainties, a strategic approach to CSR and anticorruption by businesses in Afghanistan can supplement efforts by the government to fight corruption, particularly since CSR provisions correspond directly to the provisions in the National Strategy for Combatting Corruption.

In Afghanistan, the bulk of private sector business activity takes place in family-based micro, small, and medium-sized enterprises (MSMEs). The majority of these MSMEs operate in urban areas and are estimated to employ around one-third of the Afghan labor force. These businesses tend to be firmly rooted within their communities through proximity and kinship between employers and employees. [13]

The proximity of MSMEs to communities that provide the workforce facilitates business-community interface and, as such, could be used to promote aspects of CSR.

At present, Afghanistan does not have regulatory or standards-based provisions for CSR. At the same time, there have been no instances of social pressure, through civil society organizations or otherwise, on businesses to improve business-society relations. One exception is the Extractive Industries Transparency Initiative, to which Afghanistan is signatory, and as a requirement having a comprehensive Mining Law, which was enacted in Afghanistan in October 2014.

Under the Mining Law, mining companies with government contracts are obligated to consult with the communities affected by mining activities and implement community development agreements that address identified environmental and social impacts. [14]

[7] Jamali and Karam (2018)

[8] International Standards Organization (2019). ISO 26001 – Social Responsibility. More information: <https://www.iso.org/iso-26000-social-responsibility.html> and ISO 37001 – Anti-bribery Management Systems. More information: <https://www.iso.org/iso-37001-anti-bribery-management.html>

[9] Elesrag (2015).

[10] Hills, Greg, Fiske, Leigh, & Adeeb Z, Mahmud. (2009). *Anti-Corruption as Strategic CSR: A Call to Action for Corporations*. Retrieved from: <https://www.fsg.org/publications/anti-corruption-strategic-csr>

[11] Azizi & Jamali (2016).

[12] APPRO (2017).

[13] Jamali, D., P. Jeppesen, & S. Jund-Tomsen. (2015). *SMEs and CSR in developing countries*. Retrieved from: https://www.researchgate.net/publication/274953687_SMEs_and_CSR_in_developing_countries

[14] U.S. Dept of Commerce. *Afghanistan Country Commercial Guide*. Retrieved from: <https://www.export.gov/article?id=Afghanistan-corporate-social-responsibility>

There is insufficient evidence, however, to establish whether and how effectively the Mining Law has been implemented and how well, or badly, community and environmental needs have been addressed in the execution of mining agreements signed with the government.

There is also no evidence of communities or groups of citizens ever challenging, or engaging with, private sector businesses on the adverse impacts of business activity.

Some ingredients for CSR are, nevertheless, present. A political commitment to tackle corruption is implied through the government's signing of SDGs, the Extractive Industries Transparency Initiative, the Mining Law, and the National Strategy for Combatting Corruption.

A commitment by business to community is inherent in the traditional benevolence of business owners to give to community and charitable causes. MSMEs are very much embedded in their host communities. Combined, these factors represent some of the key elements of the foundation on which to promote and implement CSR.

Recommendations

Advancing the idea and the spread the adoption of CSR in Afghanistan can be assisted through the following:

Align CSR and Anticorruption to Religious Principles:

Despite the novelty of CSR in Afghanistan, its consonance with Islamic practices and beliefs represents an opportunity for its promotion and expansion within the business community. Such efforts need to be designed based on consultations with religious authorities, business associations, and the Ministry of Hajj and Religious Affairs.

Internal Management Systems: With a few exceptions, and largely limited to telecommunication companies, businesses in Afghanistan do not have fully functional internal management systems. With a fully functional internal management system as a pre-condition of moving toward CSR and anticorruption, an assessment needs to be made of the general business needs for such systems and possibilities of addressing the needs through technical and other forms of assistance. The government, private sector associations, and the international donors active in Afghanistan must take the lead on addressing this issue.

Use of International Management System Standards:

Improvements in internal systems, a pre-requisite for pursuing adoption of CSR and anticorruption management system, can be facilitated through adoption of various management system standards such as ISO 26001 (on CSR) and ISO 37001 (on anticorruption). Efforts to promote the business advantages of ISO management systems will need to be led by Afghanistan National Standards Association, supported by private sector associations, the government, and international donors with mandates on private sector development, trade, and other related issues.

Align CSR and Anticorruption with SDGs: The momentum created with the release of SDGs and signing to the SDGs by various countries including Afghanistan should be used for the promotion of CSR and anticorruption. Much of this promotion needs to originate through capacity building interventions aimed at the private sector and its representative associations, provided by qualified trainers, and supported by the government and international donors.

Draw Input from Civil Society: Interest by civil society organizations in the affairs of private sector has been minimal in Afghanistan. Efforts need to be made, by CSOs with anticorruption mandates for example, to engage with other CSOs on how best to engage the Afghan business community on its moral obligations toward the community and legal obligations under the rule of law on such wide-ranging issues as child labor, workplace health and safety, and corruption in business transactions including payment of taxes.

Research on Private Sector: The private sector in Afghanistan is poorly understood by the government and the international donors. Targeted research needs to be carried out to better understand:

- What motivates private sector entities to serve the community.
- What types of internal management systems are being used by private sector entities, their adequacy for business management, and their adequacy as a basis for adopting CSR and anticorruption systems.
- Best practices in the current internal management systems used by different types of business.
- Willingness of private sector entities to adopt internal management systems.