

Can CSR Pave the Way for Development?

2.65 billion, or nearly half the people on the planet, live on less than \$2 a day and the figures have grown over the past decade. (World Bank Data)

In the seventies I believed that if a company ran an efficient operation with sound staff development, employment, safety and environmental policies, did not bribe anyone, paid our taxes honestly and in the country where income was earned and engaged in a reasonable amount of community development, our responsibilities stopped there. It was the responsibility of government to use the revenue generated. The Economist newspaper still holds to this line. But we now know that where revenue is mis-spent or stolen over long periods by governments, people turn to the company and say 'You made money, but there is little in the country to show for it.' To protest that we paid our taxes is of no avail. It may not be our responsibility, but it becomes our problem. If we want the sort of functioning society in which we can do business, we need to work with others to create the capacities and conditions which sound governance requires. (Sir Mark Moody Stuart, Chairman, Anglo American PLC)¹

Introduction

If the business of business is business, why should corporations be involved in development? The two quotes above show why. The main proposition of this chapter is that governments and their international arms, the agencies grouped under the umbrella of the United Nations (UN), have failed in their attempts to rid the planet of under-development and poverty. Large corpo-

¹ Personal communication, 18 February 2006.

rations with their power and economic strength have taken a dominant position in society. They will, as this book argues, need to take much more responsibility for development than ever before. This chapter will also spell out why development, as seen through the lens of Corporate Social Responsibility (CSR) is a useful tool to promote economic development.

CSR provides a platform for corporations to be involved in economic development in ways that can be much more powerful than has been hitherto thought of. Economic development means improving the well-being of disadvantaged people wherever they may be. Most, of course, can be found in developing countries but many can also be found in the developed and oil-rich countries – the deep south of the US, the north-west of England, the south of France around Marseilles, the poor of Turkmenistan or Uzbekistan; refugees in Saudi Arabia – the list tragically goes on. There is no need, though, for this scandalous situation to be either countenanced or allowed to continue.

The meaning of development

‘Development’ itself is a much maligned term. Until the late 1960s, development was considered by most economists to be the maximization of economic growth. It was really only in 1969 that Dudley Seers finally broke the growth fetishism of development theory.² Development, he argued, was a social phenomenon that involved more than increasing per capita output. Development meant, in Seers’ opinion, eliminating poverty, unemployment and inequality as well. Seers’ work at the University of Sussex was quickly followed by a focus on structural issues such as dualism, population growth, inequality, urbanization, agricultural transformation, education, health, unemployment, basic needs, governance, corruption and the like, all of which began to be reviewed on their own merits, and not merely as appendages to an underlying growth thesis.³

The main proposition of this chapter is that governments and their international arms, the international agencies grouped under the umbrella of the UN (which also includes the Bretton Woods institutions: the World Bank, International Monetary Fund (IMF) and their newest recruit – the World Trade Organization) have failed in their attempts to rid the planet of under-development, widespread inequalities and poverty. After half a cen-

² I was fortunate enough to have the late Professor Seers, founder and first Director of the Institute of Development Studies (IDS) at the University of Sussex, as my mentor and friend at IDS, Sussex in the early 1970s. See some of his ideas on development at <http://cepa.newschool.edu/het/schools/develop.htm>.

³ See, for instance, the discussion in Hopkins, M. and Van Der Hoeven, R. (1983) *Basic needs in Development Planning*, Aldershot, Gower.

tury and US\$1 trillion (1000 billion US dollars) in development aid, more than 2 billion people still live on less than \$2 a day and, indeed, some of the poorest economies are going backwards.⁴

Can corporations fill the gap?

Before addressing the issue of corporations and development, it is worth putting the power of corporations into context. Bestriding the world, these large companies command immense power and reach – the biggest, in terms of revenues as of January 2005, was Wal-Mart which is worth around \$300 billion in terms of sales and made \$10.3 billion in pre-tax profits in 2004. Most major multinational enterprises (MNEs) are domiciled in the developed world and are owned and controlled largely by citizens of these countries, with 10 of the world's top 15 companies having their base in the US (Figure 1.1). There are developing world MNEs too, although numbers

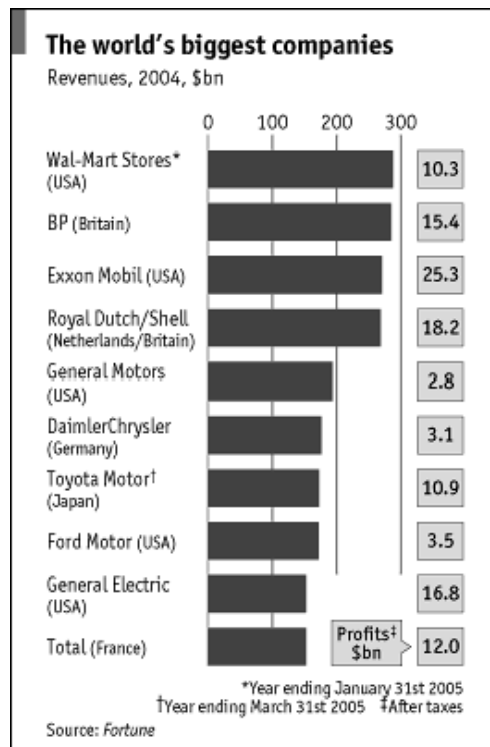


Figure 1.1 Size of top MNEs by country

⁴ Simon Caulkin, 13 March 2005, The Observer.

are small with only around 30 figuring in the Fortune 500 list of largest companies.⁵ More than in 2001, when an UNCTAD (United Nations Conference on Trade and Development) list of the largest MNEs included only four companies from developing countries – Hutchinson Whampoa, Singtel, Cemex and LG Electronics.⁶ This trend is expected to continue as companies from developing countries (especially in Asia) increasingly internationalize their operations, not just within the region but also worldwide.

These figures mean nothing on their own, of course, but note that the World Bank lends around US\$15–20 billion a year while the annual budget of oft-cited UN agencies such as the ILO (International Labour Office) is only US\$0.25 billion, 100 times smaller than the annual profits of Exxon Mobil for the year 2004 (see Figure 1.1). Both the World Bank and ILO figures are tiny compared with the power and wealth of the largest corporations.

A large portion of world trade – figures vary but some estimates put this at 40–50 per cent – is conducted either within the walls of MNEs or at their behest.⁷ Their role in development has only recently been acknowledged because it was accepted that corporations were thought to have as their main focus the maximization of corporate profits. To date, corporations have been generous in philanthropic giving – witness the large amounts dedicated and raised for the victims of the Asian tsunami. Around US\$400 million was donated by corporations in the US in only a few weeks in early 2005.⁸ In the UK, according to the *London Evening Standard*, about US\$15 million was contributed by corporations – such as US\$3 million from the giant Swiss bank UBS, which set up a UBS Tsunami Relief Fund to bring together individual contributions from staff and clients worldwide. In fact the 500 largest global corporations in 2004 took a record \$7.5 trillion in revenue and earned \$445.6 billion in profit.⁹ If MNEs followed governments and contributed even a modest amount on the lines of 0.3 per cent of net income, this would have allocated \$13.37 billion for development – just a little less than the World Bank’s annual contribution. Therefore, on the basis of ability to pay, MNEs could if they wanted to.

So size shows, based upon figures for 2004 alone, that MNEs can be a powerful engine for development if, of course, this can be proven to be

⁵ Leslie Sklair and Peter T Robbins, ‘Global Capitalism and Major Corporations from the Third World’, *Third World Quarterly*, vol 23, no 1, pp81–100, 2002.

⁶ UNCTAD (2004) ‘Development and Globalization – Facts and Figures’, (Geneva), p40.

⁷ Anup Shah, ‘The Rise of Corporations’, www.globalissues.org/TradeRelated/Corporations/Rise.asp, accessed 17 July 2006.

⁸ According to a tally on the website of *The Chronicle of Philanthropy* trade newspaper, <http://philanthropy.com/free/update/2005/01/2005010502.htm>, accessed 5 February 2005.

⁹ Riva Krut (2005) *Understanding Corporate Social Responsibility after the 2004 Pacific Tsunami: An argument for a financial target for MNE contributions*, New York, Cameron Cole.

in their interest *and* they have the wherewithal to get involved in development. Both these topics will be discussed below, the former under the business case for MNEs in development and the latter under CSR.

It is also worth noting that, according to the KPMG International Survey of Corporate Responsibility Reporting 2005,¹⁰ there has been a dramatic change in the type of corporate responsibility (CR) reporting, which has changed from purely environmental reporting up until 1999, to sustainability reporting (social, environmental and economic), and which has now become mainstream among the largest companies. The KPMG report states that:

- Although the majority (80 per cent) in most countries still issue separate CR reports, there has been an increase in the number of companies publishing CR information as part of their annual reports.
- At a national level, the two top countries in terms of separate CR reporting are Japan (80 per cent) and the United Kingdom (71 per cent). The highest increases in the 16 countries in the survey are seen in Italy, Spain, Canada, France and South Africa. There have been significant decreases in Norway and Sweden.
- The typical industrial sectors with relatively high environmental impact continue to lead in reporting. At the global level, more than 80 per cent of the 250 companies examined are reporting in the electronics and computers, utilities and automotive and gas sectors. While, at the national level, over 50 per cent of the 100 companies studied are reporting in the utilities, mining, chemicals and synthetics, oil and gas, forestry and paper and pulp sectors. But the most remarkable is the financial sector, which shows more than a twofold increase in reporting since 2002.
- The survey, which includes a detailed analysis of the reports of the 250 Global companies, focused on the reasons behind their commitment to corporate responsibility and what influenced the content of the reports. The conclusion that may be drawn is that business drivers are diverse, both economic (75 per cent) and ethical (50 per cent). The top three reported economic drivers are innovation and learning, employee motivation and risk management and reduction, with about 50 per cent of companies reporting these as motivating factors.
- Independent assurance remains a valuable part of reporting. In 2005, the number of reports with an assurance statement increased to 30 per cent (G250) and 33 per cent (N100) from 29 per cent and 27 per cent respectively in 2002. Major accountancy firms continue to dominate the Corporate Responsibility assurance market with close to 60 per cent of the statements.

¹⁰ www.foundation-development-africa.org/africa_corporate_social_investment/increase_in_csr_reporting.htm accessed 1 March 2006.

Has the UN really failed?

Governments and their main instruments, such as the UN, have failed in tackling under-development. As I will show in Chapter 4, poverty has increased according to certain measures over the past decade. The UN and its agencies are not entirely to blame for the situation, since they must do what their member governments tell them. These, in general, have been incredibly inconsistent over the years with some, such as the US, downright hostile – more on this in Chapter 10. In fact some parts of the UN, the UNDP (United Nations Development Programme) for instance, despite over-programming and bureaucracy, does have a sound knowledge of development, as can be attested in its annual *Human Development Reports* and associated national publications. But governments have only managed to find about US\$1 billion for the UNDP, a drop in the ocean when it is considered that the UNDP works in more than 180 countries.

For instance, the UK's approach to the UN is one of 'accountability and transparency', a mantra that no one can dispute.¹¹ But when one looks in detail at what this means, one finds that the UN and its agencies have increasing difficulty in acting simply because their every action is now double and triple checked. Paralysis cannot be far away.

The assumption, especially after the Iraq 'oil for food' scandal, is that the UN and its agencies cannot be trusted and, when they can, that they are inefficient. This does not mean that everything they have done is worthless. Far from it. It is just that the effort has been minuscule in comparison with the resources and technology required.

There was a glimmer of hope that governments may start to take development more seriously than ever before. The UK government placed the problem of under-development as one of the two key issues in the G8 meeting held in Gleneagles, Scotland in July 2005. It addressed at least one part of the problem, that of impoverished nations having huge debts to pay.

The sum proposed by Gordon Brown, then UK finance minister, to settle the debts of some impoverished African countries was significant at US\$55 billion. Under the deal, the World Bank, the International Monetary Fund and the African Development Fund would immediately write off 100 per cent of the money owed to them by 18 nations – a total of \$40 billion.

¹¹ When the Minister of State for Work and Pensions was pressed by the author at the ILO conference in the summer of 2005 to explain why the UK, along with the US, had vetoed the ILO budget, he explained that it was because there was a need for more 'transparency and accountability' because there was too much waste. In principle this sounds fine but in practice these simple ideas drive the organizations into the ground by giving more power to the bureaucrats and less to the innovative thinkers. The ILO told me that their managers spend three times as much time on 'accountability' issues as they did three years ago and that productive programmes have suffered significantly.

Brown also said that up to 20 other countries could be eligible if they met strict targets for good governance and tackling corruption.

US\$55 billion is only 20 per cent of the market capitalization of General Electric, just one of hundreds of MNEs. Further, many banks and investment brokers have been earning large fees in lending this money to the developing world and receiving interest when corrupt developing world politicians and their cronies transfer their own profits to banks and financial institutions abroad. There is certainly a smile on the face of Swiss bankers – shares of the largest Swiss bank UBS rose 5 per cent during May and June 2005 – partly due at least to the fact that many of their African clients now have deposits but no debts!

And the fact remains that the proportion of GDP going to development from the rich nations has been stuck at around 0.3 per cent ever since the target of 1 per cent was set. The US, for instance, only spends 0.16 per cent of its GDP on development and much of that goes to Israel and Egypt. Curiously, many of the ‘American people’ are convinced that its government spends 25 per cent of its budget on development aid! (Somberg, 2005)¹²

When Mayor Giuliani was elected for the first time in New York, he wanted to turn the UN building into an hotel. His aides pointed out very rapidly that if he did, then the east side of New York would have to close many of the existing hotels and restaurants because the business from the UN was so important. Rough calculations show that for each dollar spent by the US on the UN, it receives US\$3 back via spending from all the conferences and international travel initiated by the UN. Further, it was pointed out to Mayor Giuliani that the budget of the New York health department was bigger both in terms of people and expenditure than the United Nations’ overall budget serving over 200 countries around the world!

New way could be CSR

Given the rise in prominence of CSR, is there now mileage for corporations to be more involved in development than hitherto? There is more interest from corporations than even a decade or so ago in being involved in development, although much of this interest to date has been in philanthropy (charitable giving) rather than development per se. Development is a wider concept than purely philanthropy, as I argue in Chapter 5. Development projects are much more complicated than charitable donations, where cash is given directly for a school or hospital, however welcome these seem to be. Development means working with local partners as well as the public institutions to create sustainable projects. Much of development, and prob-

¹² B. Somberg (2005) ‘the world’s most generous misers’, *Third World Traveler*, October, www.thirdworldtraveler.com/Foreign_Policy/Most_Generous_Misers.html, accessed 11 August 2006.

ably the most effective – albeit unsung, is purely creating capacity, since the best development projects are those which help people to help themselves – teaching people how to fish instead of simply giving them a fish.

Clearly, corporations are not experts in ‘development’ and tend to make many of the mistakes that were made in the post-Second World War crusade against under-development by aid agencies. There are plenty of stories of companies providing direct grants to projects that are unsustainable or that simply offer corrupt members of host governments an opportunity for personal gain. For instance, Coca Cola funded a hospital in Mozambique that was beautifully built and filled with the latest, modern equipment. When Coca Coal executives returned to the site a few months later, the hospital was being used as housing for the many homeless people in the area and much of the equipment had been ‘sold’.

Clearly, to move the case forward, large corporations must also see that there is a business case to be involved in development. The business case for MNEs to be involved in CSR has been made and this should be extended to incorporate development.¹³

To suggest this case let us look at CSR in more detail. The attraction of CSR is that it is a systems approach, which states that the problem is defined and the system’s boundary delineated so that all the important influences on resolving the problem are taken into consideration.¹⁴ Many of the criticisms of CSR, as will be seen in Chapter 2, stem from problems with concepts and definitions. Now business, in general, is more concerned to stay in business and be profitable than to be involved in such seemingly academic discussions. This is unusual, since business is usually an area where detail is vitally important – a company cannot prepare accounts, sell pharmaceuticals, computer software, copper tubing, and so on without knowing the exact definition of the product being sold.

Yet, somehow, management concepts are manipulated with ease to fit in with one pre-conceived notion or other that will please the chairman or the companies’ shareholders. This translates into a confusing set of definitions for the same concept. For instance, some define CSR as a systems approach taking into account both internal and external stakeholders, while others define it as purely voluntary. This confusion is compounded by a proliferation of terminology in the area of business in society – corporate sustainability, corporate citizenship, corporate responsibility, business responsibility, business social responsibility, business reputation, the ethical corporation, sustainable business and so on. However, without a common language we don’t really know that our dialogue with companies is being heard and

¹³ See for instance, Michael Hopkins and Roger Crowe, *Corporate Social Responsibility: Is there a business case?*, ACCA, 2003; see www.accaglobal.com/pdfs/members_pdfs/publications/csr03.pdf.

¹⁴ John Clark et al (1975) *Global Modelling: A Systems Approach*, Guildford, UK, John Wiley.

interpreted in a consistent way. These flaws lead some companies to consider CSR as purely corporate philanthropy while others dismiss the notion entirely. But there are some, such as Shell, BP-Amoco, the Co-operative Bank and so on that see CSR as a new corporate strategic framework.

The definition that is appealing is the stakeholder definition:

CSR is concerned with treating the stakeholders of the firm ethically or in a socially responsible manner. Stakeholders exist both within a firm and outside. The aim of social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for its stakeholders both within and outside the corporation.¹⁵

Most of us have a good idea what is meant by ethics but it is the identification of the stakeholders of a company that has sparked intense debate. As a minimum, they include those *within* the company: the board of directors, shareholders, investors, managers and employees; and those *outside* the company: suppliers, customers, the natural environment, government and local community.

The definition, of course, does not link directly into why corporations should be involved in development, although it does note that the key stakeholders outside a company – the government, the environment, the community, its customers and suppliers – must be involved as much as its own employees or shareholders. So why should corporations be involved in development?

Corporations and development

There are two inter-related issues: Why should corporations be interested in *development*? and Why choose the CSR route?

Corporations are already involved in development or, at least, in some aspects of development. These aspects can be characterized by three broad types of activity:

- *Type I*: Charitable donation to a ‘good’ cause in a developing country, i.e. development philanthropy.
- *Type II*: Development inside the company that initiates new products for developing countries, or invests in a developing country to take advantage of cheap labour or special skills or natural resources such as oil and, in turn, directly impacts upon the profits of the whole organization.

¹⁵ Michael Hopkins (2003) *The Planetary Bargain: CSR Matters*, London, Earthscan.

- *Type III*: Activities that promote sustainable development and anti-poverty initiatives that might be in addition to Type II activities. These activities serve to promote development but do not immediately impact on a company's bottom line. They are carried out to enhance a company's reputation and contribute to wider development objectives.

The case for corporations to be involved in Type I and II development does not need to be made on these pages. Our concern is with Type III development. Type III development can benefit a company in three main ways:

- 1 Type III activities have more impact than Type I, and go further than pure philanthropy to encourage sustainable development.
- 2 A company can enhance its reputation and reduce risk in the developing country where it has subsidiaries or suppliers.
- 3 The broader aim of development will eventually trickle down to a company's bottom line. Shareholders, of course, are generally interested in short-term profits and will be very wary of such ventures. But, more and more, companies will think longer term and see that poor development does not ensure the sustainability of their own operations.

The subject is controversial and even supporters of CSR draw the line at companies being too greatly involved in development. Indeed, a prominent development expert, Paul Streeten, argued that companies are best left to their own devices. Streeten says: '*only companies operating under near monopoly conditions could accept social responsibilities and continue to remain in business, unless they were able to put sufficient pressure to bear on their suppliers, competitors and contractors to follow suit.*'¹⁶

I cover the arguments against CSR in Chapter 6. But before that, and assuming that companies are interested in Type III development, would following the CSR route provide added value?

Why go the CSR route?

The CSR route can be attractive simply because the CSR movement has shown companies that their responsibilities do not lie purely in making profits, what is important is *how* profits are made. Once responsibility is accepted, the anticipation is that companies will move to *Corporate Social Development*. Such a concept is more action-orientated than CSR per se, and includes social actions for all stakeholders. Note that my CSR definition (see Chapter 2) has a wide definition of 'social' that also includes

¹⁶ Novartis, 'Human right and the private sector', International Symposium Summary, p23, www.novartisfoundation.com/pdf/symposium_human_rights_report.pdf, accessed 11 August 2006.

environmental, financial, governance and economic concerns as well as those that are also normally considered ‘social’.

The CSR route for corporate involvement in development is attractive due to the, at least nine, benefits of CSR that will both improve the financial bottom line *and* help to resolve the problem of under-development and poverty. These are:

- 1 A company’s reputation is improved since it is built around key intangibles such as trust, reliability, quality, consistency, credibility, relationships and transparency, and tangibles such as investment in people, diversity and the environment.
- 2 Access to finance is greatly improved as socially responsible investment (SRI) becomes increasingly important. The creation of new financial indexes also supports these trends, for example FTSE4Good and the Dow Jones Sustainability Index (DJSI) publicly rank the major international companies according to their environmental and social performance (see Chapter 11).
- 3 CSR is an important factor for employee motivation and for attracting and retaining top quality employees.
- 4 Innovation, creativity, intellectual capital and learning are helped by a positive CSR strategy. Given that 80 per cent of the value of many new economy companies is now their intellectual capital, its preservation through the positive treatment of internal stakeholders is becoming more and more necessary.
- 5 Better risk management can be achieved by in-depth analysis of relations with external stakeholders. Factors such as new technologies and changing societal, regulatory and market expectations drive companies to take a broader perspective when analysing the range of risks they may encounter.
- 6 CSR positively helps in the building of relationships with host governments, communities and other stakeholders and can be of vital importance should the company encounter future difficulties with regard to its investment decisions. CSR gives a company a ‘competitive’ advantage over companies with poorer images.
- 7 Greater corporate social responsibility is linked to the heightened public debate on the benefits and shortcomings of globalization and the perceived role of business in this process. Those companies perceived to be socially responsible are, more and more, the companies of consumer choice.
- 8 The energy, technology and management skills learned and honed in large companies are increasingly being made available for the management of poverty alleviation through such instruments as the UN’s Global Compact, Business in the Community and private and public partnerships.
- 9 There is a growing consensus for a *Planetary Bargain*, whereby beggar-thy-neighbour policies of companies through, among other means, using the cheapest labour and the most polluting industries are neither

in the interests of the companies concerned nor in the interests of their consumers.

Regarding this last point, as CSR gradually becomes embedded in large companies, the mixture of prediction and advocacy I made five years ago in my book *The Planetary Bargain* is gradually being achieved, much more quickly than I could have imagined even those few short years ago. In my book, my thesis was that CSR represents the decent treatment of stakeholders by the company. Nothing revolutionary in that, but the main point was that beggar-thy-neighbour policies by companies racing to the bottom to site their production in the location with the lowest common denominator in terms of wages, worker conditions, shoddy products, outrageous demands on the environment, corruption of local officials, disrespect for the human rights of its workers and local communities would simply be a poor strategy.

CSR is a complete opposite to beggar-thy-neighbour policies. This is because its positive impacts on stakeholders would mean that consumers would be able to earn adequate wages to purchase the products they produced; the environment would improve and create less drag on the company and its surroundings; improved governance would reduce transaction costs; human rights policies would provide dignity to workers and communities, and improve productivity in local outlets and facilities. Thus companies who refused to follow the socially responsible path would be 'outed' by a massive response from the invisible hand of consumers all over the world. This response would be fuelled by globalizing technologies and the spread of information whereby few secrets can be held for long, even in the remotest locations.

Of course, there are costs and limitations to the CSR approach and the idealisms behind the approach can also hinder its spread as hard-nosed businessmen try to squeeze every ounce out of cost-cutting and profit maximization. Yet, as the classic study *Built to Last* has shown, CSR companies perform better for shareholders in financial and market terms, carry less debt, and are long stayers.¹⁷

The CSR route to development

What are the main actions that corporations could take to enhance corporate social development (CSD)? I will consider those actions outside the company that are designed to improve the well-being of people in the host developing country and not actions within the company itself – a subject that I covered in my book *The Planetary Bargain*.

There are at least five main actions that MNEs can do to invoke CSD:

¹⁷ James Collins and Jerry Porras (1994) *Built to Last*, HarperCollins, New York.

First, and of course many are doing this already, is to invest in developing countries and work toward allowing their exports to be freely imported into the rich countries – a huge and controversial issue that will play out for many decades to come. Will not these new imports hurt local markets in industrialized countries where the MNEs and many of their staff are located? Again, this is an issue that is being discussed vigorously in the development literature right now. This author's view is that the rich countries will innovate more quickly than the less-developed countries (LDCs) simply as a result of their higher level of skills and will continue to move into brain-intensive knowledge industries. As the LDCs start to move into these markets too, the economic growth that is being created will allow room for many and there is no particular reason for unemployment to rise drastically (that is another story).

Second, CSR is, for many, simply working with the local community. Clearly, improving local conditions is in the interest of MNEs to enhance reputation and preserve harmony. But these actions are not as easy as they seem on the surface. Three questions not easily answered are:

- 1 Where does the role of the MNE start and stop vis-à-vis the local community?
- 2 What are the key issues to be involved in?
- 3 Should MNEs be involved in human rights and if so, as many think, what are the limits?

Third, philanthropy has always been a big part of MNEs actions in LDCs (as will be discussed critically in Chapter 5). But so few of these actions are sustainable in the sense of whether, once the project has finished, its related activities will continue; this should not be confused with environmental sustainability.

Fourth, development assistance is key in many countries. This would best be done with existing development agencies, such as the UNDP, who have vast experience in development. Clearly, MNEs should not replace the UN nor government's own efforts. Simply, the power and wealth of MNEs need to be harnessed in positive development efforts. Should they be in addition to the taxes that MNEs pay anyway? Again, this is a more complicated subject than can be discussed here. Suffice to say that many tax contributions are handled poorly by governments, and MNEs can help governments to use their tax contributions more wisely while, at the same time, carrying out their own development projects in full consultation with the host government and UN agencies. Of course, another tax issue is 'where do corporates pay their taxes'?¹⁸ Is rent-seeking behaviour on behalf of corporations to locate their tax contributions in favourable locations socially responsible? If corporations plough some of their money and ideas back

¹⁸ As queried to me by Adrian Payne, personal communication, July 2006.

into global development, where they pay their taxes becomes less of an issue!

Fifth, improving people's skills in a myriad of ways is undoubtedly the best way to create sustainable development. Education, training, skill development, capacity development are all aspects of the same issue – improving human skills. There is no substitute and MNEs, with their wealth of experience in in-house training, have an enormous amount to contribute.

CSR can pave the way for development

Can CSR pave the way for development? The short answer is yes. CSR has paved the way for corporations to examine their wider role in society in ways that have never been done before. CSR is a systems concept that touches every part of a company and has both positive and negative effects. The wide role of CSR, coupled with the power and technological capacity of corporations, provides additional impetus for corporations and the private sector to be more involved in development than ever before. Clearly, governments will be the overall arbiter of development through the public purse, but their failure, along with their international partner the UN, in many developing countries has provided an empty space that must be filled by another entity – the private sector and its champions, the large corporations.

It is relatively easy to argue the obverse, that corporations should stick to making profits and leave development for governments. This, however, is a dance to the death, since the market left purely to profit maximization has been unable to fulfil social roles such as reducing unemployment, creating primary and secondary education for all, tackling the major diseases of the developing world and so on. Only time will tell whether corporations will take on this new challenge. To a certain extent MNEs will engage in development simply to ward off problems such as rising energy prices, resentment at off-shoring, consumer boycotts and so on. They should be cajoled and persuaded to take on the wider challenge of development; how they will do this if they decide to go forward are still subjects of intense discussion. My suggestions on what they should do are given in the last chapter of this book.