

CSR–Need for Effective Implementation



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The landmark Section 135, Companies Act 2013 on Corporate Social Responsibility (CSR) saw the light of day on 1st April 2014, when the Ministry of Corporate Affairs (MCA) notified this Section and the CSR Rules for implementation. From then on, there has been a surge of action to see how best the unique legislation can play out on the ground and become an enabler

for corporate India to actively, and constructively participate in nation building, in partnership with the government and civil society.

The CSR legislation provides an opportunity for a seamless integration of corporate strengths in strategy, project management and technology with the government mandate of nation building, in partnership with Implementation Agencies (IA) that represent the grassroots' voice of the beneficiaries. Often government programmes have not delivered due to a gap in assessing the felt needs of the community, and the inefficiency of the delivery mechanism of the government. The new Act has the potential for both of these to be plugged-in with active participation of corporate India.

Implementation of CSR in India means a rollout at multiple levels. At the Government of India level, it implies notification of Section 135, Companies Act 2013, and framing of CSR Rules by the government of the day. This was done and the Section along with the Rules came into action from 1st April 2014.

At the Corporate level of CSR qualifying companies (about 16,000 in all), it implies setting up a CSR Committee of the Board, formulating a CSR Policy, allocating a clearly defined CSR budget as per the Act, identification of Implementation Agencies (IA) / NGOs, setting up monitoring mechanisms at the Board/Corporate level to ensure that the allocated budget is actually spent, real implementation of projects & programmes on the ground, monitoring & evaluation, accounting & audit of CSR projects & programmes – programmatic & financial, and setting up reporting mechanisms.

The challenge for the government from April 2014 onwards was to get corporate India into action. It was important that companies were convinced, and motivated to take up their part pro-actively. This also meant presenting a business case to CSR so that they could look at this spend as a medium to long term investment in taking their core business work forward. Relevant

corollaries and cross-connects had to be established for this to happen.

This was not going to be easy!

General Elections to constitute the 16th Lok Sabha were held from 7th April to 12th May 2014. The results gave a clear mandate to a single party and the political landscape of India underwent total change. This also meant potential stability, which directly co-relates to greater investor confidence. CSR is all about rupee investment in the socio-economic development of the nation by capable corporates. Since spending is not mandatory as per the Act, an enabling environment to spend is the surest way to get the ball rolling.

A legislation remains a piece of paper if the executive lacks the will to implement it – both in letter and spirit. Often this has been the case in our democracy, and reasons have been aplenty. The stable government at the Centre, with a clear agenda for development came out confidently to play a catalytic role in providing the base on which Section 135 could be effectively implemented. Under the able leadership of Prime Minister Shri Narendra Modi, the new government made it clear to corporate India that CSR was here to stay, and that it was time that Indian business partnered the government professionally just like it does with other business entities to further its profits. The government went a step ahead, and came up with its flagship programmes like the Ganga Abhiyaan and Swachh Bharat Campaigns wherein CSR could actively supplement government efforts in bringing about real and tangible change on the ground. Schedule VII was suitably magnified so that this partnership through CSR could be facilitated. The message was well received, and corporate India started engaging with the government to better understand how it could partner it.

The Indian Institute of Corporate Affairs (IICA), an action-oriented think-tank at the MCA, has been mandated to facilitate a smooth rollout of CSR in the country in alignment with Section 135. Under the new dynamics at the Center, the Institute had to move fast, and strategically, to be able to make any impact, if this historic opportunity was to be converted on the ground.

As part of its preparation for this rollout, the IICA was doing its homework since October 2012 onwards, when the legislation was still in the form of Companies Bill 2012. To this effect, the National Foundation for CSR (NFCSR) was made fully functional and it was structured in such a way to be able to meet the challenge of implementing the rollout facilitation once the government notified the Act.

For CSR to be successfully implemented at the corporate level, there are broadly four areas that need to be working together in harmony:

1. A well-defined budget / Funds, and their effective deployment through structured CSR Policies
2. CSR Professionals

- 3. Implementation Agencies (IAs) or NGOs
- 4. Impactful Projects

Since 1st April 2014, the first task for the approximate 16,000 companies that came under the purview of this Act was to set up their CSR Committee of the Board, formulate a well-defined CSR Policy, and set up governance mechanisms at the Board level to ensure that this Policy was actually implemented on the ground. Monitoring of this process within each company is critical, since the new legislation is all about the rupee measurability of CSR spends. A well-meaning Policy that is not backed by an effective CSR implementation mechanism is recipe for disaster. The first year witnessed considerable concern amongst corporates that were not only grappling with understanding the compliance related implications of the Act, but were clueless about whom to trust to spend their monies effectively. Their problems were further compounded by the lack of CSR Professionals in their own CSR teams to manage the spends. The IICA spent considerable time, effort and resources in orienting the Director level people in many such companies so that they may better understand the macro-dynamics of this rollout, and how they could develop and implement CSR Policies that also made a business case for them. For this a series of sessions were conducted pan India by the institute.

In order to strengthen the confidence of corporate India in moving forward towards implementing CSR, the NFCSR has taken up some of the following initiatives:

- a) **Short Term Programme (STP) in CSR:** This is the Executive Education programme that focuses on training Directors, CSR Heads, Senior CSR Managers and Leaders of Implementation Agencies (IA). The focus is on effective roll out of CSR in the country as per Section 135, Companies Act 2013. The content covers the Legislation, CSR Rules and Government Notifications/Circulars, CSR Policy, Implementation, Monitoring & Evaluation, Account, Audit & Taxation, and Mandatory Reporting.
- b) **IICA Certificate Programme (ICP) in CSR:** This is a 9- month online programme, with periodic Contact Classes, a 3-week Corporate Attachment and a 3-month IA internship. It is delivered across the country through 15 top level training institutions. The objective is to develop a cadre of CSR Professionals who can assist in implementing the new CSR Legislation in the letter and spirit as envisaged by the law. As this is the first legislation of its kind anywhere in the world, the IICA as part of Ministry of Corporate Affairs has a critical role in developing this human resource. The content covers the STP in CSR curriculum (i.e. The Indian Agenda CSR) as also takes the learner to understand CSR and Sustainability with a Global Perspective. The learners include Open Category Candidates who need to clear an Entrance Exam, and also Sponsored Candidates nominated by Corporates keen to develop these professionals to manage their CSR Programmes in light of the new legislation. The

first batch graduates in July 2015 with about 180 learners becoming CSR Professionals for the first time in the country.

- c) **4-Month IICA - ISB Certificate Course in CSR Management:** This is a hybrid of STP in CSR and ICP in CSR; being started in partnership with the Indian School of Business, Hyderabad, the internationally acclaimed management institute. This programme will develop CSR Managers who have 6-8 years of industry experience, and are now keen to move towards senior positions in this area in their organisations.
- d) **The IICA Certified Trainer (ICT) in CSR – Leadership Programme in Corporate Social Responsibility:** A course which will certify individual trainers in Corporate Social Responsibility in partnership with Franklin Covey India and South Asia. These will strengthen the bandwidth of the IICA to scale up its training efforts in CSR across the country, and also ensure strict quality control and effectiveness. The first batch of more than 30 CSR trainers is already trained in June 2015.
- e) **Setting up of the Implementation Agency (IA) Hub:** in order to develop a databank of IAs, this online hub has been set up. About 100 IAs have already been listed on this as on date and a large number of applications are under process. The databank provides due diligence from 5-7 government departments/ ministries that normally deal with NGO funding and only those are listed online that clear all the departments/ ministries.
- f) **Partnership with the Bombay Stock Exchange (BSE) and CII to set up a CSR Exchange called Sammaan:** Sammaan, an IT tool / platform that is being developed and managed by the BSE, was launched by our Hon'ble President Dr. Pranab Mukherjee on 29th April 2015. It would seek to provide an enabling eco-system that connects the IA Hub NGOs of IICA to CII member companies that qualify to do CSR. The NGOs would be encouraged to upload their impactful CSR projects and programmes on Sammaan, which the CII member companies can look to invest in. The CSR Exchange will provide a marketplace for this dynamics to take place in an effective manner. This is an effort by the IICA to also strengthen the confidence of donor companies on IAs in order for the spends to increase and real impact to happen.
- g) **Partnership with the BSE to launch the CSR Index:** The first of its kind BSE-IICA CSR Index is proposed to be launched later this financial year when CSR reports from qualifying companies have been received by September 2015. The CSR Index would place companies in colour bands based on their performance across certain parameters that are being developed by the IICA in partnership with the BSE. Companies that get listed on the CSR Index may be able to present a better business case to their CSR as it is felt that Indexing will lead to greater and positive investor and customer interest in them.

h) CSR Roundtables: These are conducted to do a gap analysis across Schedule VII sectors like education, skill development, health etc. so that relevant stakeholders and resource experts can deliberate on areas where CSR can meaningfully contribute to government efforts. As an outcome of such sessions, Compendiums are developed as knowledge products. These are utilized as teaching-learning material in IICA trainings and also widely disseminated so that decision makers in companies can suitably embed the outcomes in their CSR strategy and Policy formulation. This is likely to lead to more focussed and guided CSR spends, leading to better returns on investment.

The first round of mandatory CSR Reporting is expected in Q3 of FY 2015-2016. This would give us a sense of the

real investment that happened in year one of the implementation of the Act. A close analysis of this data would help develop strategy for further strengthening the rollout across the country. This data would also encourage active research in CSR, and the IICA would play a leading role in this regard as well.

The opportunity for doing good to the nation is like never before. It is a rare combination of an enabling legislation, a vibrant corporate India, a stable central government, an eager civil society/IA sector and a very aware and active citizenry. As a nation we must not fail to deliver. It is therefore critically important that all responsible Indians come together and make a strong pitch for impactful implementation of this Act.
