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# State of Corporate Social Responsibility in Afghanistan

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## ABOUT AICS

The Afghanistan Institute for Civil Society (AICS) was established in 2014 to support a credible and competent civil society sector in Afghanistan by linking civil society organizations (CSOs), donors, government and capacity building services through culturally appropriate certification schemes. The Institute's main objectives are to raise the credibility of the civil society sector by certifying Civil Society Organizations (CSOs) using locally defined and internationally recognized standards; to systemize capacity building efforts by coordinating initiatives using measurable performance indicators; to strengthen the role of civil society in Afghanistan's development through policy dialogue and active engagement with the government, donors and the broader development sector; and to provide a channel for resources for civil society by strengthening philanthropic and corporate social responsibility efforts.

## ABOUT LUDIN CONSULTING, LLC



η is the symbol of efficiency. Ludin Consulting, LLC was established in August 2006 in Colorado, USA, to offer services that enhance efficiency and sustainability of government, non-governmental and private sector organizations. Ludin Consulting offers a variety of services including developing strategic and business plans, identifying errors and waste, developing entrepreneurship development initiatives, creating operational systems and developing personnel and organizational capacities to maximize organizational efficiency. With a strong and diverse team of organizational development, change management and financial/business modeling experts, Ludin Consulting ensures efficient use of your organizational resources.

## ACKNOWLEDGEMENTS

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PROPHET MUHAMMAD PEACE BE UPON HIM

SAID:

EVERY ONE OF YOU IS A  
SHEPHERD AND  
IS RESPONSIBLE FOR HIS FLOCK

(ŞAĤĪĤ AL-BUKĤĀRĪ 6719, ŞAĤĪĤ MUSLIM 1829)

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## SUMMARY

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## SUMMARY

In their 1970 published articles titled “The Social Responsibility of Business is to Increase Its Profits” (Friedman) and “The Myth of Corporate Responsibility” (H. Manne), Friedman and Manne “believed that corporate executives have only one obligation, which is to make as much money as possible for their stockholder”<sup>1</sup>. Over the years, this view was mostly rejected, and the role of a business in society was defined as ‘socially responsible’, in the sense that it owes duties not only to its shareholders (to whom its profits may accrue), but also to its workers, clients and the community in which it develops its activities (collectively, “stakeholders”).

This approach to “socially responsible” corporations is also aligned with the Islamic principle of mutual responsibility as so eloquently described in the Prophetic Tradition of:

“Every one of you is a shepherd and is responsible for his flock. The leader of people is a guardian and is responsible for his subjects. A man is the guardian of his family and he is responsible for them. A woman is the guardian of her husband’s home and his children, and she is responsible for them. The servant of a man is a guardian of the property of his master and he is responsible for it. No doubt, every one of you is a shepherd and is responsible for his flock.” *Ṣaḥīḥ al-Bukhārī* 6719, *Ṣaḥīḥ Muslim* 1829.

A corporation is also a shepherd and is also responsible for those that benefit from its products and services. After all, the corporation also benefits from the clients it serves and the communities in which it operates. Islam has a term that signals social solidarity and establishes the umbrella for Corporate Social

Responsibility (CSR), namely ‘Takaful’<sup>2,3</sup>. The question is, how does a corporation reflect upon that sense of responsibility and what actions should it take to ensure that this sense of responsibility is converted into actionable contributions that reflect its obligations towards the client and the communities.

Today, most developed countries have passed laws and regulations that govern many aspects of the responsible behavior of corporations, including in such domains as environmental protection, employee rights, workplace safety, financial transparency, prevention of corrupt practices and corporate governance systems. In spite of the trend, most countries in the world still treat CSR as an essentially voluntary undertaking. So far, India is the only country that has opted to incorporate in its laws a mandatory CSR contribution of 2% on profits before taxes for certain corporations. Other countries are now also looking at CSR as a potentially government-mandated initiative.

In developing countries, CSR is mostly introduced by multinational corporations (MNCs), which has been the case also in Afghanistan, especially in the telecommunications industry. Coupled with in-country-based telecoms companies’ initiatives, CSR soon became popular, causing other large corporations such as the Moby Group, Alokozai Group, Aziz Hotak Group, Azizi Bank and others to launch their own CSR programs and contribute with charitable giving, mostly through their in-house foundations. In Afghanistan, much of corporate charitable giving is the product of Zakat and Sadaqa (Khairat) contributions of the company owners, rather than a systematic corporate-owned initiative that can be sustained in the long run.

There are no laws or regulations in Afghanistan for charitable giving by corporations and no tax or other types of government incentives

1: Corporate Social Responsibility European Style by Olivier de Schutter, *European Law Journal*, Vol. 14, No. 2, March 2008, pp. 203-236

2: Corporate Social Responsibility: An Islamic Perspective, by Hussein Elarag, published on October 30th, 2015 at the Munich Personal RePEc Archive (MPRA)

3: Takaful is derived from the root word ‘Kafala’, which means responsibility, guarantee, amenability or surety.

to encourage CSR. Hence, corporations are left to their own devices to claim what they want without verification, to do what and how they please to demonstrate their social responsibility. Thus, there is a significant need and demand by everyone, including the corporations themselves, that the government come up with laws, rules and regulations to govern CSR, which will even out the playfield for everyone and enable a sustained, structured and, by extension, more effective CSR work. The general population is demanding at a rate of 88% that the government offer corporations incentives to engage in charitable giving, while 77% of the consumers want charitable giving to be mandated for corporations. The consumers in Afghanistan also want corporations to enhance their charitable giving and social responsibility initiatives in the areas of healthcare, education, safe drinking water supply, environmental stewardship, and care for community and the country. If they do so, more than 90% of the consumers will prefer to buy their products and services and will recommend them to their friends and family.

Because there is a basic lack of awareness about

CSR even among the educated population, the CSOs have a special responsibility to create an environment that is conducive to more enhanced and structured CSR in the country. Meeting this responsibility may include lobbying government officials and lawmakers to pass laws in support of CSR and initiating extensive awareness creation campaigns. Well-aware consumers will offer demand-side pressure on corporations to be socially responsible.

Corporations, on the other hand, need to understand the importance of consumer sentiments and to adjust their business practices to ensure that their reputation as responsible members of the society is not tarnished, and that they are actively and continuously respected as responsible members of the society.

CSR in Afghanistan is at its infant stages. However, because Afghanistan is a country whose inhabitants prefer to follow the example of others, it is very likely that great initiatives by corporations really and truly take off in an enormous manner, provided they are given a slight push in the form of regulations and some publicity.

## KEY RECOMMENDATIONS
























Target	Objective	Activity	Responsible	Urgency
CSO	Develop CSR vision  Create awareness for CSR	Identify and formulate the CSO vision for CSR in Afghanistan	AICS	
		Create demand-side pressure	CSO community	
		Lobby actively the government to create laws, rules and regulations	CSO community	
CSO	Create Corporate Social Responsibility Index (CSRI)	Create organization to help launch corporations' CSR programs	AICS, new organization	
		Identify key indicators	CSO community	
		Develop operational model for CSRI	AICS	
		Implement the model	AICS	
		Support the government to create the necessary legal, regulatory and political environment that enables greater and more systemic engagement in CSR.	CSO community	
AICS	Create enabling environment for government agencies	Create awareness among general public, government officials and corporations.	CSO community	
		Lobby lawmakers/regulators to pass laws/regulations.	CSO community	
		Create a system of CSO certification to create/enhance their credibility	AICS	
		Create a system to certify CSO projects for CSR viability.	AICS	
		Create organizations that support corporations to set up viable CSR programs.	CSO community	
		Offer incentives to start or increase corporate social responsibility	– Government	
		Create rules, regulations and disincentives for corporations not to be socially responsible.	President's office driving Ministries of Finance, Economy, Justice, Parliament	
		Make CSR or components thereof a legal obligation and rigorously enforce it.	ACCI	
		Articulate the types of incentives that corporations need to enhance their CSR engagement	ACCI	
		Collaborate with the Ministry of Finance and Ministry of Economics to develop laws, rules and regulations in support of CSR	ACCI, CSO Community	
Corporations	Create enabling environment for corporation	Restructure company CSR policies	ACCI	
		Seek assistance and support from specialized companies to structure company CSR policy/strategy	ACCI, CSO Community	
<b>Urgent</b> 	<b>Moderately Urgent</b> 		<b>Not Urgent</b> 	

Table 1 - Summary of Key Recommendations

## OPERATIONALIZING KEY RECOMMENDATIONS

#	Objective	Activity	Responsibility
1	Identify a driver for CSR	Organize meeting of CSOs to appoint main Secretariat for CSR campaign. AICS is a potential CSR Secretariat	AICS
2	Identify strategic objective of CSR	Create a taskforce within CSO community to manage CSR campaign .Review the strategic paths for CSR campaign, e.g. voluntary, semi-voluntary, or mandated and select a path to pursue	CSR Secretariat CSR Secretariat
3	Awareness creation campaign	Design a strategy for CSR campaign Raise funds to finance CSR campaign Launch CSR campaign	CSR Secretariat CSR Secretariat CSR Secretariat
4	Political advocacy campaign	Develop a strategy for political advocacy to include: <ul style="list-style-type: none"> <li>- Holding regular meetings with government officials</li> <li>- Holding TV/radio discussions, roundtables, interviews</li> <li>- Organizing workshops and seminars</li> <li>- Helping in drafting laws, rules and regulations</li> </ul> Budget and fund the political advocacy work Launch political advocacy campaign	CSR Secretariat CSR Secretariat
5	Certification of CSOs	Already underway Develop CSO certification model and approach to include: <ul style="list-style-type: none"> <li>- Evaluating projects for technical and financial viability</li> <li>- Evaluating community support and need for the project as well as coordination with other projects</li> </ul>	AICS AICS
6	Certification of CSO projects	<ul style="list-style-type: none"> <li>- Verifying CSO's technical and management skills to do the project</li> <li>- Evaluating project narrative and justification as well as documents</li> </ul> Raise funds to kickstart the approach, include a fee-for-service component .Create a web portal to market projects Market the certification to CSOs, corporations and donors	AICS AICS AICS
7	Create a Corporate Social Responsibility Index (CSRI)	Identify key components of a CSR Index to include workplace factors, environmental impact, ethical work practices, charitable giving, community development and others. .Develop a strategy on how to finance and market the CSRI Launch the initiative	CSR Secretariat CSR Secretariat CSR Secretariat
8	Create a launchpad for CSR	Develop strategy on how to support corporations to launch CSR initiatives Identify potential entities/organizations that have already done this work in the region or globally, e.g. CSR Central Asia ( <a href="http://www.csr-ca.com">www.csr-ca.com</a> ), Business for Social Responsibility ( <a href="http://www.bsrf.org">www.bsrf.org</a> ). Raise funds for setting up the CSR launchpad for Afghanistan Establish a presence for the CSR launchpad in Afghanistan and start operations	CSR Secretariat CSR Secretariat CSR Secretariat

Table 2 - Summary of Operationalizing Key Recommendations



# 01

## INTRODUCTION

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# INTRODUCTION

## 1.1 DEFINITION

Investopedia defines Corporate Social Responsibility (CSR) as a

“self-regulating business model that helps a company be socially accountable — to itself, its stakeholders, and the public. By practicing corporate social responsibility, also called corporate citizenship, companies can be conscious of the kind of impact they are having on all aspects of society, including economic, social, and environmental. To engage in CSR means that, in the normal course of business, a company is operating in ways that enhance society and the environment, instead of contributing negatively to them”<sup>4</sup>.

Investopedia claims that while CSR can be beneficial for the society and the communities as a whole, it can also have significant benefits for the corporations, which will help to boost their brands. CSR helps to “forge a stronger bond between employee and corporation” and enables employers to “feel more connected with the world around them”<sup>4</sup>.

The Financial Times defines CSR as a “movement aimed at encouraging companies to be more aware of the impact of their business on the rest of society, including their own stakeholders and the environment”. It is “a business approach that contributes to sustainable development by delivering economic, social and environmental benefits for all stakeholders”. The Financial Times considers CSR as “a concept with many definitions and practices. The way it is understood and implemented differs greatly for each company and country”. CSR covers numerous areas, including “human rights, corporate governance, health and safety, environmental effects, working conditions

and contribution to economic development”. Ultimately, CSR aims at driving “change towards sustainability”<sup>5</sup>.

Mallen Baker considers CSR as a tool that helps companies to “manage their business processes to produce an overall positive impact on society. It covers sustainability, social impact and ethics, and, done correctly, should be about core business - how companies make their money - not just add-on extras such as philanthropy”<sup>6</sup>.

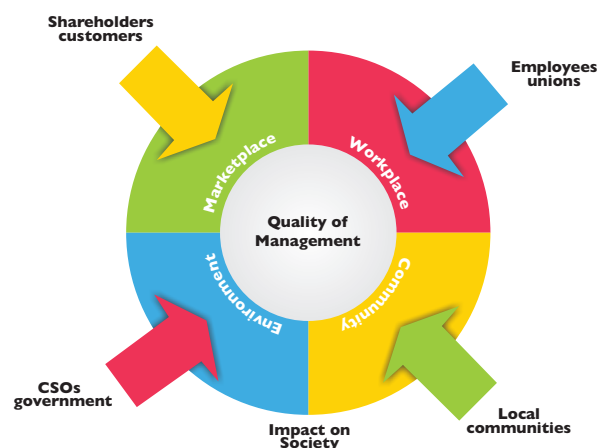


Figure 1- Two Dimensions of Corporate Operations

According to Mallen Baker, companies must answer to both requirements, namely “the quality of their management – both in terms of people and processes” and the nature and “quality of their impact on society in various areas”.

The World Business Council for Sustainable Development defined CSR as the “continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large”<sup>7</sup>.

In summary, CSR is the “humane” or “good” side of a corporation that recognizes the importance of a) “do no harm”, namely to avoid harm altogether or, at the very least,

4: <https://www.investopedia.com/terms/c/corp-social-responsibility.asp>  
5: [http://lexicon.ft.com/Term?term=corporate-social-responsibility--\(CSR\)](http://lexicon.ft.com/Term?term=corporate-social-responsibility--(CSR))  
6: <http://mallenbaker.net/article/clear-reflection/definitions-of-corporate-social-responsibility-what-is-csr>  
7: <http://www.ceads.org.ar/downloads/Making%20good%20business%20sense.pdf>

minimize harm to the environment and society in general and particularly within the affected communities; b) mitigate any harm caused by its actions and operations; c) ensure the safety and well-being of its employees and others affected by its work; and d) consistently behave in an ethical manner.

## 1.2 HISTORIC EVOLUTION

According to Archie B. Carrol of the University of Georgia<sup>8</sup>, it is possible to “trace evidences of the business community’s concern for society for centuries”. While much of the modern-day writings on CSR are rooted in the developed world, starting around 1950 it is evident that “related notions may have developed in theory and practice in other countries and at different times.”

The social responsibility of individuals and corporations has always been a recognized and required concept in the Muslim world. “Islamic ethical principles provide a broader framework for CSR. In terms of responsibility and accountability”, Muslims believe that they will be accountable in the hereafter for whatever they do in this world<sup>9</sup>. The foundation of responsible living in Islam is the Hadith that proclaims, “Every one of you is a shepherd and is responsible for his flock”<sup>10</sup>. The corporation is no exception to this rule and is held responsible before God, the law and the society for what it does and how it behaves. It is responsible because it undertakes business operations and benefits from the wealth that the customers and the societies provide it.

In 1953, Howard R. Bowen<sup>11</sup> argued that “several hundred largest businesses were vital centers for power and decision making and that the actions of these firms touched the lives of citizens at many points”. Bowen offered an initial definition of CSR to include

“the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society”. By 1963, it became accepted that “the corporation has not only economic and legal obligations but also certain responsibilities to society<sup>12</sup>” extending beyond them, which include “politics, welfare of the community, education, happiness of its employees and the whole social world”. Similar to the essence of the Islamic approach to ethics, responsibility and justice, McGuire suggested that “business must act ‘justly’, as proper citizens should.”

Over the years, CSR has evolved to include alternative themes such as corporate social responsiveness, public policy, business ethics, and stakeholder theory/management (Carol). New concepts such as global social investment, corporate reputation, community partnerships, and corporate social policy were launched. Management policies of strategic giving, cause-related marketing, international donations, employee volunteerism, sustainability, and global corporate citizenship emerged to characterize many CSR initiatives. CSR has become a recognized and well-appreciated component of doing business. All major corporations include CSR policies, divisions and activities. Efforts are underway to maximize the marketing effect of CSR activities, as the general population is demanding that corporations behave responsibly towards their communities, the environment and their employees.

## 1.3 PRESENT STATUS AND ANTICIPATED FUTURE OF CSR

The advancement of the Internet and the penetration of social media into peoples’ lives, including Facebook, Twitter, Instagram, Tumblr, etc. have dramatically changed the

8: Corporate Social Responsibility – Evolution of a Definitional Construct

9: Corporate Social Responsibility: An Islamic Perspective, by Hussein Elarag, Published on October 30th, 2015 at the Munich Personal RePEc Archive (MPRA)

10: Ṣaḥīḥ al-Bukhārī 6719, Ṣaḥīḥ Muslim 1829

11: Social Responsibilities of the Businessman, by Howard R. Bowen, as narrated by Archie B. Carrol in his book titled Corporate Social Responsibility – Evolution of a Definitional Construct

12: Business and Society by Joseph W. McGuire (1963)

level of attention paid to the views, opinions and preferences of consumers and users. Politicians and business people use social media to connect to the consumers with their ideas and products, and consumers use social media to learn about trendsetting products, services and approaches to living and doing business. Activists use social media to draw attention to issues in the political, economic, social and environmental spheres, while the general public reacts to the push by everyone to take action, and to support or mobilize for or against issues, causes, products, persons, and companies. As an example of the power of such a movement, we cite the experience of Ms. Ivanka Trump with social media. After the election of President Trump, a social media movement started to call for a boycott of Ivanka Trump's fashion products, resulting in a very short time in the abandonment of multiple outlets of her products, eventually leading to the closure of her product lines. There are many other similar initiatives that have caused significant adjustment to corporate structures, products or systems. Such initiatives are part of the new communication system that can potentially promote or disrupt businesses in a very significant way.

According to Wayne Visser<sup>13</sup>, over the past decades corporations in the developed world have gone through four stages of CSR, which include (i) a “defensive” approach to their social responsibility; (ii) a “charitable” approach, where they consider themselves with high moral standing to help those in need; (iii) to the “promotional” approach, where CSR is primarily seen as a tool to enhance their marketing efforts and develop a stronger customer base; and (iv) today, smart corporations are venturing into a state where they consider their approach to CSR as “strategic”. Thus, corporations count on the long-term impact and effect of corporate responsibility to enhance their sustained operations for decades to come.

While the developed world is busy coming up with innovative solutions to their corporate responsibility schemes and objectives, many corporations in the developing world are barely starting to engage with CSR. Their understanding of CSR is, however, often still limited to stages one and two, which stipulate a defensive and charitable approach. Some are slowly engaging in CSR as a “promotional” tool, although they don't know fully well how to maximize the benefits of CSR as a marketing tool. Nor do their customers understand or trust the value of the corporations' CSR initiatives for themselves or their societies.

### *1.3.1 Drivers of CSR*

There are many reasons why corporations engage in social responsibility schemes. While some corporations may just be led by altruistic individuals that want to give back to the society some of what they have received, most corporations do it because they expect to get something in return or because they would be penalized by law or by their customers if they fail to engage. All of these factors are the drivers of CSR and should be considered while assessing the motivations of corporations to engage in CSR initiatives.

1. The legal regime within the country is one of the key drivers of CSR. Many developed countries have passed laws that either encourage or deter activities that may involve environmental protection, consumer protection, worker safety, worker compensation, equal pay, gender equity, employee harassment (sexual, religious, racial or otherwise), price fixing, monopolistic corporate behavior, protection of intellectual property, corrupt practices such as bribery, favoritism, official enrichment, etc. and other related situations. Such laws, rules and regulations guide the behavior of organizations, and the level of intensity and scrutiny with which

<sup>13</sup>: <http://www.foodfocus.co.za/home/Industry-Topics/Corporate-Social-Responsibility/Future-trends-in-CSR---the-next-10-years>

they are enforced enhances the level of adherence of corporations to the text and spirit of these laws, rules, and regulations.

2. Government incentives, such as tax deductions, tax breaks and other inducements encourage corporations to engage in CSR knowing that the government will compensate or cover either all or a major part of their CSR expenses and will enable the corporations to do good while not necessarily affecting their bottom lines. As a matter of fact, studies in the USA have shown that on average corporations with a strong and visible CSR program<sup>14</sup> pay around 1.7% lower taxes than corporations without such programs. After controlling for other factors that affect tax rates, such as corporations that file for losses, it translates to about 6% lower taxes than their competitors.
3. Shareholder preference is also a critical driver of CSR. With tax savings of 1.7% to 6%, compared to corporations without an aggressive CSR program, CSR has become a key profitability indicator, as additional taxes directly affect shareholder value, as shareholders increasingly demand that their corporations engage in effective CSR to enhance their investment value.
4. Customers' expectations and preferences are another key driver for CSR. Where customers have a preference for social engagement in certain areas or all areas of engagement and are willing to take active action to promote their preferences, the corporations will follow suit and engage in those activities. For examples, if a customer refuses to buy Nike sports shoes that were manufactured in sweat shops in Bangladesh (where horrible and inhumane worker conditions prevail, child labor is practiced and social injustice is the norm), then Nike

will make sure that such conditions are either not prevalent or that they are not exposed to the public to prevent a backlash against their products. The same may apply for Shell and other oil and gas companies that are struggling against general public perception against global warming causing CO2 emissions from the burning of fossil fuels. As a result, Shell has rebranded itself as an energy company and has initiated significant investment in renewable energies to create the impression that it is minimizing its carbon footprint and making an active contribution to environmental protection. Thus, the activist nature of customer and consumers has become a significant driver for CSR in many countries around the world, which has gained even more traction with the help of social media and greater connectivity of people with each other.

5. Marketing effect and enhancing the image of a corporation to be socially responsible and as such a better corporation are yet another driver for CSR. In the age of constant media coverage, leading to perceptions and overall impressions as good or bad with few grey shades, corporations want to be seen as responsible citizens and hence engage in socially responsible behavior that differentiates them from other less responsible corporations. In the developed world, with the prevalence of very significant CSR engagement by most corporations, the differentiator is no longer which corporation engages in CSR, but rather which corporation is more engaged and effective in socially responsible behavior. Thus, CSR has become not a choice but rather a necessity without which the public image of the corporation would face significant harm and directly affect the valuation of the corporations, and by extension the compensation of its leadership and the shareholder investment value.

<sup>14</sup>: <http://www.cfo.com/tax/2015/12/socially-responsible-companies-pay>  
<sup>15</sup>: Microsoft 2018 Corporate Social Responsibility Report



6. Altruistic and philanthropic motivations of business owners and leaders are a critical driver of CSR. For example, in 2018 alone Microsoft donated “more than \$1.4 billion<sup>15</sup> . . . in software and services to institutions and organizations through Microsoft Philanthropies, helping non-profits get access to technology they greatly need.” In addition, Microsoft employees, using their employee giving program, donated more than \$158 million (including corporate matching) for their non-profits of choice. Furthermore, the co-founder of Microsoft, Bill Gates, through his Bill and Melinda Gates Foundations, has created the largest endowment in the world, valued at \$40<sup>16</sup> billion . The organization, which is a tax-exempt entity, spends 5% of its endowment (a total of \$2 Billion) every year on programs and advocacy concerning education, health, poverty, climate change, and “clean energy”. We assume that Bill and Melinda Gates are not motivated by image or customer satisfaction but rather are driven by the pleasure of giving and making a difference in the lives of millions of people.
7. Religious motivation is a critical driver of CSR. Some business owners and leaders may also be motivated by their religious belief that encourages them to spend of what they have been given and to fulfill their responsibility towards their society and as such engage in socially responsible behavior as a corporation and as individuals.

### 1.3.2 Legal and Regulatory Support for CSR

Whereas CSR is typically and traditionally a voluntary engagement by corporations, in some cases, laws governing different aspects of corporate activity encourage or require corporations to behave in a responsible manner. Tineke Lambooy writes in his editorial

titled “Legal Aspects of Corporate Social Responsibility”<sup>17</sup> that CSR has

“ . . . links with many areas of law, including international law and European law, corporate law and corporate governance, tort law and contract law, procedural law, labor and environmental law, and criminal law. All of these areas contribute importantly to the development of CSR, and ultimately to respond to the serious challenges that this world faces.”

Since these laws and regulations are extremely extensive and vary from country to country, we have chosen not to address them individually or even list them in this assessment.

One standard that many corporations adhere to when evaluating their CSR activities and using as a guidance tool, is ISO 26000<sup>18</sup> or CSR.ISO 26000. In conjunction with other ISO standards such as ISO 14000<sup>19</sup>, ISO 31000<sup>20</sup>, ISO 45001<sup>21</sup>, ISO 18001<sup>22</sup>, etc., a corporation is able to ensure that its footprint is socially and environmentally sound as well as ethically in compliance with best practices.

The laws may vary from country to country and from one environment to another, yet they cover a wide range of issues that govern CSR and mandate either voluntary or induced action for social benefit. India was the first country ever to mandate CSR; it passed a law within the 2013 Companies Act, which mandates that 2% of pre-tax income of qualifying corporations be spent on CSR activities, either through its own non-profit entity or through an unaffiliated non-profit organization.

In most developed countries, philanthropic donations by corporations are also tax exempt, so that corporations may, in the case of the

16: <https://www.influencewatch.org/non-profit/bill-and-melinda-gates-foundation/>

17: <https://utrechtjournal.org/articles/10.5334/ujel.bz/>

18: ISO 26000: Social Responsibility Guidance Standard

19: ISO 14000: Family of Environmental Management Guidance Standards

20: ISO 31000: Risk Management

21: ISO 45001: Occupational Health & Safety

22: ISO 18001: Health & Safety Management

USA, deduct “up to 10% of their taxable income<sup>23</sup>”. For example, a corporation with an annual taxable income of \$1 million, will be able to spend up to \$100,000 for philanthropic purposes and receive full credit for the same. If the company does not record any profits for a fiscal year, it cannot deduct anything for charitable giving. Thus, corporations are encouraged to behave in a philanthropic manner to benefit from the tax deduction offered by the government.

### *1.3.3 Anticipated Future of CSR*

CSR’s future evolution will depend on a number of critical technology trends that enable real time access to data, analysis of information through artificial intelligence and non-traditional communication methods such as Facebook, Twitter, etc. Customers are able to check without delay the activities of a corporation and take immediate decisions to support its products and services or reject them. The number of “ethical consumers” will, in the future, be so large that companies will not need to self-select “ethical consumers”. Government incentives and regulations will encourage corporations to no longer offer “less ethical” product ranges. Thus, the consumer will not need to worry about the ethical nature of the

corporation based on their offering and services but will merely rely on codes and logos, such as Energy-Star, Recycled, Fair-Trade Product, etc., to choose the products of their choices (Visser).

Similar to existing Generally Accepted Accounting Procedures (GAAP), Generally Accepted Sustainability Practices (GASP) will be created that will regulate how corporations ensure sustainability. Hence, adherence to the standards will no longer be voluntary but will be mandatory, and corporations will have to abide by generally accepted norms for business operation that are sustainable and socially compliant (Visser).

Corporations in the developing world are nowhere close to achieving the standards that developed world corporations are undertaking. However, the trends set by developed countries will force developing world corporations to follow suit. MNCs operating in developing countries will play the role of trendsetters for national corporations and will enable specialized, culturally sensitive and domestically viable approaches to corporate sustainability to take shape.

<sup>23</sup>: <https://www.quora.com/Are-corporate-social-responsibility-payments-donations-by-the-US-companies-tax-deductible-If-not-what-is-their-tax-status>



# 02

## CSR IN THE REGION

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## CSR IN THE REGION

Assessment of CSR in the region assumes an understanding of the different context of CSR in developing countries as compared to developed countries. “Contextualizing the macro, meso and micro level dynamics that are at play in specific environments<sup>24</sup>” plays a critical role in understanding the issues at stake in developing countries. Regional as well as institutional differences account for much of the need for contextualizing CSR, which will eventually help nations to come up with their specific CSR guidelines and policies. In his thesis on CSR in Afghanistan, Dr. Sameer Azizi believes that CSR approaches in developing countries as well as in the region are affected by a combination of MNCs with their mostly “Anglo-Saxon” context and local players using culturally sensitive and locally adapted CSR initiatives and approaches. As a result, the CSR context “is shaped by a national institutional context rather than by the simplified global diffusion . . . These conflicting pressures and the complexity of global convergence vs. local divergence claims often translates into CSR cross-vergence”. As a result,

“CSR expressions of MNCs take more explicit forms, while those of small and medium-sized enterprises (SMEs) take more implicit forms. Where salient global institutional pressures continue to shape MNC’s CSR activities in these countries, it is the national business system, the local cultural and religious norms, and the salient institutions that together shape SME’s CSR activities.”

The differing levels of engagement with CSR in different countries also manifest themselves in the approaches taken by different players to offer CSR initiatives and leave differing levels of impact on their communities and stakeholders.

The region around Afghanistan is very diverse,

and the economic development is also very different. Whereas India is considered to be almost a first-world country, at least from technological and economic development point of view, Pakistan and Iran are fairly active emerging markets. The Persian Gulf countries have access to significant oil wealth, which has helped them to invest in technological advancement and to attract hundreds of top global corporations to engage in their markets. On the other hand, the Central Asian countries of Tajikistan, Uzbekistan, Kyrgyzstan and Turkmenistan are somewhat developed but are lagging behind in attracting global corporations and with it their ways of doing business. Afghanistan is a country at war for the past 40 years. However, it is making some strides in the right direction, and CSR is gradually gaining more traction in the country. The following chapters look at the particular conditions of the groups of countries with associated relevance for CSR<sup>25</sup>. The objective is to evaluate if there are some lessons that Afghanistan can learn to enhance CSR within the country -- lessons that are aligned with the conditions and cultural context of the country.

## 2.1 CSR IN CENTRAL ASIAN COUNTRIES

CSR is a new but evolving concept in the Central Asian countries, including Tajikistan, Uzbekistan, Turkmenistan, Kazakhstan and Kyrgyzstan. Much of the CSR activities are currently launched by MNCs, which are following their global agenda and processes. Tajikistan and Kazakhstan are making some significant strides to operationalize CSR, while other countries of the region seem to still be in early stages of their evolution. In Kazakhstan, The Organization for Economic Cooperation and Development (OECD)<sup>26</sup> has drafted a national concept of CSR for the country, which was adopted by the government. The National Chamber of Entrepreneurs has taken on a

24: “CSR in Afghanistan: A Global Agenda in Areas of Limited Statehood”, by Sameer Azizi & Dima Jamali, South Asia Journal of Global Business Research, 5(2), 165-189

25: The Persian Gulf countries have not been addressed because their CSR context is significantly developed, so that they are more comparable to first world countries.

26: <https://primeminister.kz/en/news/finans/kazakhstan-mozhet-stat-liderom-tsa-v-sfere-razvitiya-korporativnoj-solidarnoj-otvetstvennosti-oesr>

number of its social programs and developed monitoring and implementation strategies. In Tajikistan, the Aga Khan Foundation, in early 2010, initiated a round table discussion<sup>27</sup> with significant businesses having potential for CSR in the country. This discussion was one of the first initiatives in this direction and has received some significant support over the past nine years. Uzbekistan, Turkmenistan and Kyrgyzstan have yet to launch serious national CSR programs, so that their CSR activities are currently self-driven and motivated by MNC policies and operational requirements<sup>28</sup>, not driven or guided by any national policies. Reporting for CSR activities, especially in the environmental conservation area, is challenging and plagued by corruption and inadequate capabilities, which make it difficult if not impossible to measure the actual impact of CSR<sup>29</sup>. Throughout this region, philanthropy and charitable giving seem to be the only venue of channeling CSR activities.

Within the context of greater visibility and receptibility of CSR in Central Asia, dedicated organizations have emerged that support corporations in initiating and implementing CSR programs. One such organization is “CSR Central Asia”, which according to its documents serves as a “center of collaboration between business and society, and implements programs and projects that contribute to social, environmental and economic effectiveness<sup>30</sup>”. CSR Central Asia could be a good model to be replicated in Afghanistan as well.

## 2.2 CSR IN IRAN

CSR is still in its infancy in Iran. According to Mehran Nejati, researcher in the School of Management, Universiti Sains Malaysia<sup>31</sup>, there is a need for significant public and corporate

awareness programs that could result in greater use of CSR as a social enhancement tool. Nejati also considers the manufacturing industry to be more engaged in CSR than service organizations<sup>32</sup>, although the results of his study are limited by the very small number of corporations that actually offer CSR activities.

The nature of CSR in Iran is fairly unique. A direct transfer of the Western model of CSR into the Iran context is challenging (Fateme Mudabber<sup>33</sup>). However, adaptation of Western CSR to the Iranian context should be a reasonably achievable task. The United Nations has initiated a number of programs to support CSR in the context of sustainability and social cohesion. There are some significant efforts underway by MNCs as well as the government and the United Nations’ (UN) agencies to maximize the contribution of CSR in the society and engage corporations in a systematic and systemic manner to achieve great social good.

In Iran, CSR is currently more aligned with philanthropy and sponsorship of different cultural/sport events, donations for natural disasters, building schools, mosques, hospitals, etc. (Mudabber, 209). Where there is a CSR program, it is aligned with the European Foundation for Quality Management framework. Otherwise, they are guided by Islamic traditions of Khums, Zakat and Waqf.

## 2.3 CSR IN PAKISTAN

Pakistan, like most other developing countries, applies CSR mostly philanthropically, so that it covers only a fraction of the CSR landscape. Such CSR initiatives include providing medications for hospitals and scholarships to students, distributing relief goods during natural disasters, and contributing in the community

26: <https://primeminister.kz/en/news/finansii/kazahstan-mozhet-stat-liderom-tsa-v-sfere-razvitiia-korporativnoj-solidarnoj-otvetstvennosti-oesr>

27: <https://www.news.tj/en/news/akf-promotes-corporate-social-responsibility-tajikistan>

28: Corporate Social Responsibility as a Tool of Public Relations in Kyrgyzstan”, by Kamilla Alieva, American University of Central Asia, Journalism and Mass Communication Department (April 2013)

29: “An Assessment of Corporate Environmental Responsibility in Central Asia’s Mining Industry”, by Estella Snowden, The University of Edinburgh, Edinburgh Medical School, Biomedical Sciences

30: <http://csr-ca.com/en/about/about-csr-ca/>

31: <https://www.emeraldinsight.com/doi/abs/10.1108/17471111211272552>

32: [https://www.researchgate.net/publication/258049478\\_Corporate\\_Social\\_Responsibility\\_in\\_Iran\\_from\\_the\\_Perspective\\_of\\_Employees/download](https://www.researchgate.net/publication/258049478_Corporate_Social_Responsibility_in_Iran_from_the_Perspective_of_Employees/download)

33: “Implementing Corporate Social Responsibility in a Developing Country – A study of Iran”, Fateme Mudabber

development programs in rural and urban areas of the country<sup>34</sup>. Similar to other countries in the region, the level of public awareness of CSR is very limited. There appears to be no systematic approach to CSR, so that UN Global Impacts principles have not been fully addressed. Pakistan, like its neighbors, has a cultural context that forces corporations to behave in a philanthropic manner.

A 2016 Corporate Philanthropy<sup>35</sup> Survey by the Pakistan Center for Philanthropy indicates that total donations by Public Listed Companies (PLCs) increased by more than 32 times during 2000-2016 and contributed a total of 0.7% of their profits before taxes (PBT) to CSR related activities. 51% of PLCs are involved in philanthropy. About 23 percent of private unlisted companies (PUCs) and 26% of private listed companies (PvLC) participated in philanthropic activities. PUCs (109 out of 474) donated about PKR 0.86 billion, while PvLCs (94 out of 360) contributed PKR 1.33 billion in the year 2016. The share of top 25 companies participating in CSR is 80% for PLCs, 88% for PUCs, and 93% for PvLCs. Oil and gas exploration is the largest contributing sub-sector, with an approximate donation of PKR 608 million.

There have been significantly more studies of the status of CSR in Pakistan than in Iran or the Central Asian countries. As a result, there is more data available on CSR for Pakistan than in the other countries. One study<sup>36</sup> has developed a set of CSR indices for Pakistan based on different industries, including petroleum, banking, telecoms, media, fertilizers and chemicals. According to the same study, the government of Pakistan has still not regularized CSR-related policies and does not regulate CSR-related activities in the country. Corporations have also not established any

systems for operationalizing and regularizing CSR activities that would enable adequate measurement of the impact and sustainability of their contributions. International standards for reporting on CSR activities need still to take into consideration Pakistan's special cultural and economic conditions to ensure adequacy and relevance of their CSR activities.

## 2.4 CSR IN INDIA

India has reached significantly enhanced CSR status as compared to other countries in the region. In the 2013 Companies Act of India, which replaced the 1956 Companies Act, CSR has become mandatory for corporations that meet any of the following three conditions: a) net worth of more than 5 billion Rupees, b) annual turnover of more than 10 billion Rupees, or c) annual net profit of at least 50 million Rupees. If a company meets any of these three criteria, which are known as the "Triple-Bottom-Line-Approach" (TBL), they are required to create a committee to enforce their CSR mandate to approve CSR policy, ensure its implementation, disclose the contents of CSR policies in its report, place the same on Company's website, and ensure that statutory specified amount is spent by the company on CSR activities.<sup>37</sup> These activities may include eradicating poverty and related efforts, promoting education, gender equity and related efforts, ensuring environmental sustainability, protecting national heritage and other similar activities.

Because India is applying the TBL to CSR, Saurabh Kumar<sup>38</sup> expects that total corporate giving in India will increase from about \$600 million per year to more than \$2 billion. Kumar reports that data provided by CSOs indicate that in 2017 the total money spent on CSR has jumped by 20% as compared to the previous year, and the number of defaulters has gone

34: Corporate Social Responsibility in Pakistan: Its status and ways forward", by Mushtaq Ali Jariko and Tom Borsa of Aalborg University and Ashique Ali Jhatal of University of Sindh, Jamshor, 2016

35: [http://pcp.org.pk/uploads/CP\\_Report\\_2018\\_printed.pdf](http://pcp.org.pk/uploads/CP_Report_2018_printed.pdf)

36: <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.920.6032&rep=rep1&type=pdf>

37: <https://www.edupristine.com/blog/corporate-social-responsibility>

38: <https://blog.ipleaders.in/csr-laws-india/>

down to 36%, compared to 44% during the previous year. About 33% of the surveyed 100 companies have also indicated spending more than the mandated 2% of their net profits for CSR activities. These figures demonstrate an ever-growing acceptance and adoption of a government-mandated CSR push.

The Indian experience has shown a great increase in social responsibility demonstrated by corporations. However, more than 1/3rd

of the qualified corporations are still defaulting on their social responsibilities, which means that the road to better regulations, laws and processes, as well as better reporting and enforcement, is still long. Credible recipients of the financial contributions and credible programs, coupled with a strong awareness creation and educational effort, must be in place to make it easier for corporations to benefit from the opportunities that CSR offers them and the society at large.



# 03

## CSR IN AFGHANISTAN

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## CSR IN AFGHANISTAN

According to Export.gov,

“ Afghan awareness of the term ‘Responsible Business Conduct’ is nascent, but the government has encouraged large companies and foreign investors to invest in [CSR]. Large mining contracts include stipulations for environmental protection and community inclusion. A comprehensive mining law passed in October 2014 requires mining contract holders to consult with communities that will be affected by mining projects and to implement a community development agreement that includes details of the firm’s environmental and social impact assessment. The law also requires extractive sector companies to safeguard and maintain any archeological and cultural relics they come across during the extraction operations until the Afghan government removes them.”

The article also describes that

“ a number of the competing mobile network operators have well-developed CSR outreach programs that include health, education, job creation, environmental protection and outreach to refugees. For instance, the largest telecom operator in Afghanistan, Roshan, whose majority owner is the Aga Khan Fund for Economic Development, has received recognition for its social responsibility mission, including from Forbes and B Lab as one of the 16 ‘Best for the World’ midsize companies in 2015. In addition, some Afghan entrepreneurs, such as Ihsanullah Bayat, the Barakat Group, the Ghazanfar Group, Hotak Azizi, and the Alokozay Group, have foundations that provide assistance in the fields of health, education, and the eradication of poverty<sup>39</sup>”.

CSR tax has been part of governmental

<sup>39</sup>: <https://www.export.gov/article?id=Afghanistan-corporate-social-responsibility>

regulations for many years. However, these activities were never categorized as CSR-related. For example, the Afghan Red Crescent Society (ARCS) has been a direct beneficiary of a number of taxes, including a 2% tax on all imported goods into the country, around AFN 10 per issued passport tax, and a vehicle fee paid by vehicle owners during the Red Crescent Week celebrations, which occur once every year. As such, imposition of a tax on parts of the society for charitable purposes has been practiced, recognized and appreciated by the government and the population at large. It is these taxes that enable ARCS to support its operations in Afghanistan. This example offers a window of opportunity for CSR tax to be imposed in other sectors of the Afghan market place.

In spite of these positive trends, Afghanistan has a long way to go before it has a functioning, structured and sustainable CSR sector. In later chapters, we will assess the response and priorities of government officials as well as corporate, CSO and academic representatives, who may have different views on the possible imposition of mandatory taxes on CSR and the development of additional regulations governing CSR initiatives.

### 3.1 RELIGIOUS AND CULTURAL CONTEXT OF SOCIAL RESPONSIBILITY IN AFGHANISTAN

The overwhelming majority of Afghans are Muslims. Islam mandates that Zakat (poor’s due) be paid on an annual basis at the rate of 2.5% of an individual’s annual savings. Whereas Zakat is a religiously mandated and compulsory charitable giving, Sadaqa, or as is locally called ‘Khairat’, is a voluntary yet strongly recommended practice within the religion and in Afghanistan. As has been discussed at length in the Preface and in Section 2.2 above, the religious mandate for social responsibility is deeply rooted in the society, is taken fairly seriously by Muslims and is a key driver of CSR

in modern-day Afghanistan.

Corporations receive no exception to the religious and cultural mandates and have traditionally engaged in activities that indicate social responsibility. However, often the scope of social responsibility has been limited to charitable giving and some basic community development efforts, because alternative venues to demonstrate social responsibility have not been widely promulgated, and the level of awareness on issues such as environmental stewardship, workplace safety, equal employment opportunities, support for regulatory and legal environment, adherence to basic principles of respect and the dignity of workers, customers and associates, as well as other factors that are part and parcel of a sound Islamically-compliant CSR plan, have not been adequately addressed.

### 3.2 EVOLUTION OF MODERN-DAY CSR IN AFGHANISTAN

Afghanistan is a country still at war. As such the government does not exercise sovereignty over all parts of the country, and the services delivered to the population are also inadequate, missing in some areas and filled with deficiencies where such services are delivered. Hence, there is a need for non-state actors, such as CSOs and private corporations, including MNCs, to fill any gaps in governance and services offered by the state. According to Dr. Sameer Azizi<sup>40</sup>, engagement of non-state actors “directs attention away from state-centric conceptualizations of institutional settings acknowledging the existence of certain peculiar state formations that shape business-society relations and thereby the CSR”. Additionally, “the emphasis on non-state actors underlines the important role that corporations can assume in the business-society interface . . . with/without state engagement”. Hence, non-state actors receive greater prominence and have “larger room for maneuvering and

influencing the national settings”, if such players, including corporations, choose to assume a greater role. Hence, the popular attention and expectation is directed away from a sole reliance on the government and includes other non-state actors such as corporations as a source of delivering products and services to meet basic popular needs. Afghanistan, with a “weak institutional setting”, is a good candidate for CSR to take shape and effectively address gaps in service delivery to the population.

In Afghanistan, the mobile telecommunications industry has been the initiator of modern-day CSR and as such warrants some scrutiny. There are four telecommunications companies in Afghanistan, two of which (AWCC [Afghan Wireless Communications Company] and Roshan) are national entities, while two are MNCs (Etisalat and MTN). Together, all four are responsible for more than “\$2.4 billion in foreign direct investment in Afghanistan” (Azizi). About 40% of the GDP contribution is by the service sectors, with the telecommunications industry being a major contributor. On average this industry contributes about \$139.6 million in taxes per year and employs about 100,000 people (Azizi).

According to Azizi, the

“ . . . CSR topics raised by the four corporations have two interesting features. First, it is interesting that the practices are mainly targeted towards the wider-society or community issues, tailored specifically to local communities – whether in rural or urban areas. In other words, internal issues such as labor and working conditions and supply-chain issues are not high on the agenda in terms of explicit CSR themes for these corporations. Second, in this societal approach some variations can be seen in the CSR topics raised by the corporations. While all telecommunication

40: Corporate Social Responsibility in Afghanistan – A critical case study of the mobile telecommunications industry, Sameer Aziz, Doctoral School of Organisation and Management, PhD Series 11.2017, Copenhagen Business School.



Corporation s/ CSR topics	AWCC	Roshan	MTN	Etisalat
<b>Health</b>	Supports hospital constructions and equipment walk to Help Save an Afghan Mother and Child in USA	Debtak & Health clinic and workshops for employees Medical Health Insurance for employee Telemedicine in 3 public hospitals	Community Healthcare centers in remote areas beyond the reach of CSOs Mobile Clinic Support to "Gynaecology"	NA
<b>Community Development</b>	Water well construction Cash grants for children and orphanages Wenter Aid package Afghan Symposium on Humanitarian and Leadership Earth Day initiatives Afghan Trusted Network	Support for orphanages Build A Well Project Pamir Power Project Water-Tarcker Alternative Livelihoods Programme TV Programmes Playground Project Soup Kitchens Stars Sign Out	Reconstructing bridges and digging water wells Support to Internally Displaced People (IDP) Due to war or civil conflict	Social Welfare projects Annual Food Distribution to underprivileged children
<b>Education, Capacity building</b>	Support Orphanage schools Educational Learning Centers Women grants	Teacher consultation Line E-learning center in 30 location School Construction One Laptop Per Child Roshan/Cisco Networking Academy Teacher consultation line	Scholarship for students Contribute in reconstructing school and orphanages	Graduate Tranee programme Several support initiatives to educational institutions
<b>Private sector development</b>	Empowering Women Grants for business justice and humanity	Women's Public Call Offices	NA	Public call office Bicycle for handicapped
<b>Sport Sponsorships</b>	Sports grants to Olympic medallist bicycle racs	Youth Sport Center Afghan Premier league football	NA	Sport sponsorships and support for national cricket team
<b>Religious practices</b>	Ramadan Food Distribution	NA	NA	Building 38 Islamic Mosques Annual Quran Recitation Competition Hajj Support
<b>Disaster relief</b>	Disaster relief NA	NA	Emergency support	NA
<b>M-services</b>	My Money	Malomat M-Paisa	M-doctor, M-Mufti, M-Lawyer, M-Paisa	M-Hawala

Table 3 - Summary of CSR operational areas in Afghanistan's Telecom Industry

corporations explicitly address topics such as community development, education/capacity building and M-services, not all of them address the remaining topics . . .”

Because “neither the current national regulatory framework nor industry-level policies address CSR as a mandatory obligation or guidance in Afghanistan” and “local civil society organizations do not impose pressure on corporations with relation to business-society relations”, corporations are left to their own devices to undertake any social responsibility initiatives in the country. As a result, while the two MNCs were guided by “coercive pressure” from their corporate headquarters to have well-defined and systematically- implemented CSR initiatives, the two national corporations (AWCC and Roshan) were guided by their own internal desire to engage with the society. In addition, “mimetic processes” also contribute to offering some CSR services.

Azizi references the introduction of M-Paisa services by Roshan, which is “directly copied from the Kenyan market, where Vodafone has been successful in implementing the mobile technology”. In Afghanistan, the additional advantage of donor support as a kick-starter of community-benefitting initiatives has played a critical role in launching new projects. For example, “Association of Mobile Money Operators in Afghanistan – AMMOA” was “financially supported by USAID to promote development of mobile money projects”.

AWCC was the first company to enter the telecommunications market in Afghanistan and, together with Roshan, faced significant challenges in the areas of trained personnel and adequate operational infrastructure. Hence, AWCC was forced to train their own staff and create their own distribution channels, which in turn created “opportunities for CSR practices, where education, health and private sector

development practices are targeted towards potential future staff”. Azizi further elaborates that education of employees raised issues of labor rights and benefits to employees that have resulted in Roshan being the first company to offer its employees private medical insurance. Competition is also a driver for CSR activities in Afghanistan. For example, Roshan and AWCC imitated each other in introducing CSR programs and topics with a significant focus on community development, education, health and other services. They aimed at building a trusting relationship with “customers and communities in the area” where they operate and where the government is not able to offer those services (Azizi).

With the telecommunications companies serving as role models for social engagement and social responsibility, soon other corporations started following suit. Today all major corporations in Afghanistan exercise either pure philanthropic social responsibility or a more expanded version of CSR.

Study of the academic field, however, indicates that CSR in Afghanistan is still not part of the educational process and of the curriculum of students in relevant fields. This lack is likely due to the inadequate level of penetration that CSR has achieved within the society and the shortfall in the level of awareness of CSR as a corporate mode of operations among the corporate players and academia.

### 3.3 PRESENT CONDITION OF CSR IN AFGHANISTAN

In Afghanistan, there is no system of encouragement, oversight or guidance for the CSR sector. Hence, corporations are left to their own accord to do what they please. Nevertheless, over the years, CSR has taken more structured forms, so that today a number of large corporations are actively pursuing CSR either through a dedicated philanthropic organization or through their marketing departments. Major corporations such as

Barakat Group, the Ghazanfar Group, Hotak Azizi, and the Alokozay Group have established dedicated philanthropic organizations, while others, such as AIB Bank, Serena Hotel, Maihan Steel, Zahir Plastic, Moby Group, Afghanistan Beverage Industries, and Insurance Corporation of Afghanistan are undertaking their own philanthropic work or collaborating with CSOs and educational institutions to disburse their CSR contributions.

Under any circumstances, over the past few years, the level of CRS awareness has significantly increased, and “copycat” imitations are part of the new trend as and when companies become large enough to generate some level of attention from the general public. There is anecdotal evidence and a general perception, at least among the educated urban population, that large corporations have a responsibility to give back to the society. Therefore, where large corporations do not have philanthropic operations, they are looked upon as “irresponsible” members of the society.

#### 3.3.1 Legal and Regulatory Situation of CSR in Afghanistan

There are no rules, laws or regulations governing CSR in Afghanistan. However, as cited earlier, during the negotiation of major contracts for mining sector, the government obliges the contractor to take sustainability and protection of the environment, cultural heritage and social as well as economic development of the target communities into consideration. Such conditions are stipulated in Article 77 of the Mining Law and Chapter XV of the Mining Regulations titled “Environmental and Social Protection”. The regulations stipulate that prior to exploration, mining operators must identify the areas of safeguarding, develop a plan including budgets and operational schedules, and fully fund a mitigation plan to ensure minimal damage to the environment. Such mitigation measures are based on “International Best Practice Obligations” as described under Chapter XVI, Article 88 of

the Mining Regulations.

The mining laws, as well as some other laws or internal regulations (Tarz ul Amal) within other ministries governing prevention and mitigation of damages to the environmental and social fabric, are still case-specific and do not offer an all-inclusive solution for all investments and corporations. According to an official from the Ministry of Commerce and Industry, there are some inter-ministerial documents that encourage social, economic and environmental considerations by corporations. However, all such stipulations are voluntary in nature and are not consistently applied or enforced. Therefore, corporations can continue to cause harm to the environment and to the social fabric without any financial responsibility for their actions and their harmful operations.

### *3.3.2 CSR Support by Government Officials*

At present, there are no indications that government agencies offer any type of preferential or even enhanced support for CSR-related activities. There are no tax incentives in place, and there are no eminent plans to introduce such incentives. Also, there is no systematic awareness creation or encouragement system in place to reward corporations for socially responsible behavior. Government officials whom we interviewed for this assessment indicated their appreciations for CSR-related work by corporations. However, they also indicated that there is nothing that the government is doing, pursuing or planning to pursue to effectively encourage CSR, provide incentives for start of CSR or enable and facilitate the expansion of existing CSR activities. There are no efforts in place that even create the regulations necessary to ensure that CSR operations are effective and sustainably managed throughout the country. This vacuum offers an opportunity for actors to lobby in favor of the right set of regulations to enhance the quality, intensity and effectiveness of CSR activities.

### *3.3.3 The Legal Environment in Afghanistan*

In evaluating the legal environment, we have chosen to look at specific laws and see to what extent they either promote or hamper CSR-related activities. Below is a description of the laws and their relevance for CSR initiatives in the country.

#### *3.3.3.1 The Constitution*

Multiple articles of the Constitution of the Islamic Republic of Afghanistan have references to issues that are of relevance to CSR initiatives. Article Six of the Constitution stipulates that “The state shall be obligated to create a prosperous and progressive society based on social justice, preservation of human dignity, protection of human rights, realization of democracy, attainment of national unity as well as equality between all peoples and tribes and balance development of all areas of the country.” Most of these state responsibilities also apply to individuals and corporations, who are also citizens of the country. As such, the responsibility of the state to ensure “social justice”, preservation of “human dignity”, “protection of human rights”, and “equality between all . . .” are also part and parcel of the scope of CSR activities. Thus, it makes sense that the government would mandate corporations to enact initiatives that promote all of these conditions.

Under Article Ten of the Constitution, the “state shall encourage, protect as well as ensure the safety of capital investment and private enterprises in accordance with the provisions of the law and market economy.” Article Thirteen stipulates that “The state shall design and implement effective programs for developing industries, expanding production as well as protecting activities of craftsmen to raise the standard of living of the people”. These Articles stipulate that the government create an environment conducive to initiation and development of the private sector as well as guarding the right of all citizens to “raise their standard of living”. Under Article Fourteen, the

Constitution stipulates that the state,

“within its financial means, shall design and implement effective programs to develop agriculture and animal husbandry, improve economic, social and living conditions of farmers, herders and settlers as well as the nomads’ livelihood. The state shall adopt necessary measures for provision of housing and distribution of public estates to deserving citizens in accordance with the provisions of law and within financial possibilities.”

Also, this Article describes the responsibility of the government to ensure that whatever economic activities are undertaken, happen with the full aim of improving the “economic, social and living conditions” of the target population, including “provision of housing and distribution of public estates to deserving citizens”. We assume that Article Fourteen also implies that the government may enact laws, rules and regulations to encourage corporations to support in these objectives, including by means of directing some of the potential state revenue in the form of tax exemptions and tax credits to support CSR-related initiatives.

Article Fifteen stipulates that the “state shall be obligated to adopt necessary measures to protect and improve forests as well as the living environment.” This Article makes catering to and the protection of forests and the “living environment” an integral part of the state’s responsibilities, for which the state needs to develop adequate policies and laws. Engagements in the areas of environmental protection squarely fall under traditional CSR responsibilities. Therefore, the state may enact laws that encourage corporations to support environmental protection by preventing harm to the environment and facilitating strategic and operational efforts to enhance the quality of the country’s environment.

Article Forty-two of the Constitution stipulates

that “Every Afghan shall pay taxes and duties to the state in accordance with the provisions of the law. No taxes or duties shall be levied without legal representation. Tax rates and duties as well as the method of payment shall be determined, with due respect to social justice, by law”. Thus, the state may levy such taxes that will enhance the environment and the social, economic and cultural condition of the country, while ensuring an equitable and judicious treatment of all categories of the population through direct contribution of every member of the state, including corporations.

These articles suggest that there do not seem to be any objections to the state enacting laws, rules and regulations to encourage, induce or mandate active engagement of corporations in socially responsible initiatives and to discourage, dissuade or penalize the same, if they fail to meet the legal requirements.

#### *3.3.3.2 Corporate Law*

A detailed study of Afghan corporate law concluded that there are no provisions that would prevent a corporation from engaging in CSR, even though there are no mandates for corporations to so engage. The results of this study do not mean that the state cannot enact laws under the corporate law or other laws that would encourage or mandate corporations to engage in CSR initiatives.

#### *3.3.3.3 Labor Law*

A detailed study of the labor law concluded that there are no provisions that would prevent or encourage corporations to engage in CSR. Similarly, this study does not mean that the state cannot enact laws under the labor law or other laws that would encourage or mandate corporations to engage in CSR initiatives.

#### *3.3.3.4 Environmental Law*

Article 6 of Afghanistan’s Environmental Law titled “Rights and Duties of the State” under Subsection (3) stipulates that the state



“ . . . has the duty, for the welfare of people, both present and future, to adopt and implement programmes aimed at maintaining and re-establishing essential ecological processes and natural resources, conserving and rehabilitating the environment, preventing and controlling pollution and ensuring that the benefits of the use of genetic resources are shaped equitably.”

Under Sub-section (4), the same law stipulates that the state “has the duty to provide the public with information and opportunities to participate in making decisions affecting human health, the environment, and natural resources.” This provision allows the government to a) ensure that any negative impacts on the environment due to operations of corporations are mitigated by the corporations, and b) the public – including the corporations – is given ample information and opportunities to contribute towards safeguarding and protection of the environment.

Article 24 of the Environmental Law, with the heading “Economic Incentives and Disincentives”, provides that

“The National Environmental Protection Agency, in cooperation with the Ministry of Finance, relevant institutions and Provincial Councils and District and Village Councils, shall develop and implement measures providing for: (1) appropriate economic incentives to encourage prevention and control of pollution, and protection of the environment from adverse effects; (2) appropriate economic disincentives for engaging in activities which do not encourage sustainable use of natural resources, conservation of biological diversity, prevention and control of pollution, and protection of the environment from adverse effects, or disincentives that lead to the use of technologies that are not environmentally sound; (3) the

identification and amendment of policies and other measures which encourage unsustainable use of natural resources.”

Hence, the state can enact and impose under environmental laws regulations to promote corporations’ CSR activities to preserve and protect the environment.

### 3.3.3.5 Mining Law

As described under Section 4.3.1, Article 77 of the Mining Law and Chapter XV of the Mining Regulations titled “Environmental and Social Protection” stipulate that prior to exploration, mining companies must identify the areas of safeguarding, develop a plan including budgets and operational schedules, and fully fund a mitigation plan to ensure minimal damage to the environment. Such mitigation measures are based on “International Best Practice Obligations” as described under Chapter XVI, Article 88 of the Mining Regulations.

During a Key Informant Interview, Mr. Mohammad Fahim Hashimi of the Policy Department at the Ministry of Mines and Petroleum stated that these laws are rigorously enforced. For example, the copper mining contract with the Chinese company MCC obligates them to build roads, buildings, schools, to create safe working conditions, to respect and protect historic heritages, etc. These obligations are enforced with small, medium as well as large mining companies. Offerors are also required to submit a bank guarantee as assurance against any environmental damages caused by the extracting company, which can then be used to mitigate the negative effects of such damages.

The requirements to safeguard and offer social and economic development support for communities affected by the mining activities are also included in requests for proposals as pre-conditions for award. Those offers which provide the greatest amount of social, economic and environmental support initiatives

and commitments receive higher scores and are more preferentially treated.

The Ministry of Mines & Petroleum is currently working on two regulations that will enable the contractors as well as the government to more effectively identify and support social, environmental and economic projects in the target area, which will further streamline these efforts. Mr. Hashimi also indicated that they expect mining contractors and investors to spend between 5-8% of their budget on social welfare activities. The Ministry monitors the work of the companies to make sure that their social engagement is aligned with their contractual obligation.

The Ministry of Mines also offers incentives for investment by mine extractors with flexible royalty payments, so that complete processing of raw material will mean royalty payments of 2.5%, semi-processing at royalty payments of 5% and unprocessed ore at royalty payments of 7%. These incentives enable the creation of thousands of additional employment opportunities in Afghanistan.

#### *3.3.3.6 Accounting Regulations*

The existing accounting laws do not allow expensing CSR-related costs as normal taxable line items. However, during the study, a number of corporations appear to be booking CSR-related activities as business expenses and are being credited for these expenses by the Ministry of Finance. This behavior could be due to a lack of awareness of the tax authorities or a misunderstanding of the corporations about the state of the law. Under

any circumstance, there is an absolute need for greater awareness creation, training and better accounting guidelines and rules that would prevent this form of duplicity.

Afghanistan applies the GAAP rules, which ensure that corporations maintain accounting systems that are transparent and legally and logically structured.

#### *3.3.3.7 Tax Law*

The tax law of Afghanistan does not foresee any type of tax credits, incentives or deductions for CSR-related activities. Hence, there is a significant opportunity for the government to initiate laws and to develop rules and regulations that encourage CSR by minimizing the cost of social responsibility or channeling at least some of the taxable income towards CSR-related initiatives. During interviews with Ministry of Finance officials, they indicated that neither at present nor at the foreseeable future is the Ministry planning to initiate any tax incentives for CSR. Because the state is currently focused on increasing the tax revenues and tax credits, it “would be counter-productive” to give tax breaks and incentives for CSR-related activities or any other activities. Such positions by the Ministry of Finance officials offer an opportunity for dedicated entities to create awareness that enhanced CSR activities by corporations can yield larger economic prosperity and benefits, which in turn can create more wealth and by extension larger tax revenues for the government. As such, the need for rules and regulations that incentivize greater CSR engagement exists in the short as well as the medium and long term.



# 04

## RESEARCH FINDINGS

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## RESEARCH FINDINGS

### 4.1 RESEARCH METHODOLOGY

The assessment included a combination of quantitative and qualitative data collection to provide consistent, realistic and comprehensive information about the state of CSR in Afghanistan and the perceptions as well as the priorities of consumers concerning social responsibility by corporations.

The assessment was carried out in the cities of Kabul, Herat, Mazar e Sharif, Kandahar and Jalalabad. This procedure enabled access to five critical markets where manufacturing, enterprise development and larger scale business operations are prevalent. We placed greater emphasis on the Kabul market, which serves as the policy as well as the business and CSO hub of the country.

Altogether we conducted 230 survey interviews, met and interviewed approximately 50 observers, and held three focus groups in Kabul. We did not hold focus groups in Herat, Kandahar, Jalalabad and Mazar e Sharif, because Kabul is where most large-scale corporations are present, most domestic and international NGOs are headquartered and numerous academic representatives with significant connections with the government system reside, resulting in significantly higher impact than in other cities.

For each category of interviewees and participants, we developed and presented different sets of questions to ensure that their responses were relevant to their circumstances and that we collected both qualitative as well as quantitative data. Specifically, we interviewed or engaged with the following categories of the population:

In Kabul, we interviewed/surveyed some or all of the following categories:

1. Government officials from the Ministries

of Finance, Economics, Commerce, Justice, and Labor and Social Welfare;

2. CSO representatives, national and international NGOs, including major NGO coordinating bodies such as Agency Coordinating Body for Afghan Relief (ACBAR) and Afghan Women's Network (AWN);
3. Large- and medium-sized corporations representing manufacturers and service enterprises operating in Kabul and throughout the country;
4. Academic representatives and persons with knowledge about CSR-related matters; and
5. Small-scale businesses and the general population.

In Herat, Jalalabad, Kandahar and Mazar e Sharif, we interviewed people in the following categories:

1. General population (customers) and small-scale businesses;
2. Manufacturers and larger scale construction, service and supply businesses; and
3. CSOs headquartered in the respective provinces.

The findings described below are a reflection of their views, expectations, and perceptions.

### 4.2 RESEARCH LIMITATIONS

Because of the specific circumstances of Afghanistan, this research encountered a number of limitations, which include the following:

1. A significant number of corporations were not willing to share any financial numbers for their company or their CSR programs with the research team. The reasons are not clear. Their websites, available annual reports or other publicly

available documents also did not include the financial figures. As a result, there were no opportunities to quantify the amount of CSR spending in absolute numbers or as a percentage of corporate profits.

2. Nearly all of those interviewed did not fully understand the scope of CSR. Of those who did have some understanding, it was challenging to disentangle their mindset from a purely charitable-giving dimension of CSR. Hence, it is not clear to what extent the respondents' views reflected their understanding of the full scope of CSR.
3. A significant number of donors and international NGOs were not interested in participating in the study. Hence, the qualitative views reflected in this survey are just an indication of their opinions and do not have any statistical value.
4. Large national corporations such as Alokozai Group, Barakat Group, Bayat Group and others as well as large multinationals such as MTN, Etisalat and some US government-funded corporations were not interested in participating in the study. Even though sufficient numbers did participate, we could not collect the views of the large corporations with potentially significant CSR programs. The study had to rely on secondary research to bring to bear their considerations and concerns.
5. Corporations were not willing to share any details about the specifics of their CSR engagement strategies and how they have used their CSR engagement for enhanced marketing effects, stakeholder engagement with their products and services or to enhance the quality of the production/ services in response to stakeholder demands.
6. Studying the impact of past and active CSR programs was not part of the study. Therefore, research had to rely on

secondary data to make a statement about their effectiveness.

We were able to overcome (mostly) other limitations in the process of collecting data, so that we can categorize the reported data as a sound reflection of the realities of the state of CSR in Afghanistan.

### 4.3 OVERVIEW OF FINDINGS

We compiled and analyzed the data collected through the desk studies, interviews and focus groups for relevance, consistency, contradiction, system strengths, weaknesses, threats, and opportunities. Research indicated that there is a significant amount of social engagement by the corporate world in Afghanistan. Much of the engagement is in the form of charity, philanthropy, sense of responsibility towards the community, and, to a very small extent, out of a need for a good image. It seems that the overall driver for social engagement by corporations is the cultural, religious and moral compass of the business owners. The concept of CSR, as is known and practiced in the developed world, is mostly still unknown in Afghanistan. Some corporations that operate with a strong Western influence use CSR in their marketing material, including websites, annual reports and brochures, and some MNCs have relatively well-structured CSR programs, because of their headquarters' overall mandates. Local corporations, large or small, are typically following their gut feeling, their sense of responsibility and their religious convictions, as was stated by a number of the interviewed key informants. It can be reasonably argued that CSR, as a comprehensive inward- and outward-looking concept to a responsible corporate operation, is still not available in Afghanistan.

## 4.4 SENTIMENTS & ENGAGEMENT OF THE BUSINESS COMMUNITY

### 4.4.1 Overview of Sentiments

The business community in Afghanistan is generally fairly generous. However, in absolutely the majority of cases, their charitable giving is due to personal initiative of their owners and a direct outcome of his/her/their religiously obligatory Zakat contributions. Their charitable giving is not based on a percentage of the revenue or profits of the company but rather at the discretion of the owners. Some large corporations have established charitable foundations, which distribute the owners' charitable giving to persons in need or for establishment of public buildings such as schools, mosques, water wells, etc. A number of large corporations, including Roshan, AWCC, Moby Group, and others are expanding the scope of their stated CSR initiatives to include sponsorships, public awareness creation through TV commercials and related activities. Appendix I includes a chart with a list of large corporations that offer various degrees of social engagement through projects and initiatives. Some corporations indicate in their website that they engage in CSR, while the realities on the ground could be different, have either not been surveyed or have not been available for survey and interview, so that their claims cannot be verified. At the same time, a survey by Mr. Abdullah Adil, as part of his preliminary PhD research at University of Bochum in Germany, indicates that the level of effectiveness, impact and credibility of the declared and advertised CSR projects may leave much to be desired. Consequently, there are questions about the scope of active CSR programs, their effectiveness, sustainability and verifiability.

Focus groups raised the issue of politicization of CSR/charitable giving by large corporations. Some large corporations maintain lists of thousands of people that receive food, clothing

and other types of assistance during the holy month of Ramadan. We heard claims that during the recent elections the same lists have been used by owners of some of the companies, who became candidates for the Parliament, to secure nominations and eventually extract votes for themselves. We heard further claims that the same lists are being used to offer support for candidates during the upcoming Presidential election scheduled for July/August 2019. In one cited case, the owner of a private university in Kabul is said to have offered a one semester scholarship for every ten votes secured by the students and more scholarships up until free education for more votes. We heard warnings that unless proper rules and regulations are available and enforced, misuse of charitable giving for illicit objectives will continue and undermine the humanitarian nature of corporate giving, affecting not only those with the negative intentions but all corporate giving.

Corporations are somewhat clear about the potential marketing effect of their CSR initiatives, while the surveyed consumers clearly prefer products and services from companies that engage in CSR/charitable giving. However, we did not see any evidence that corporations actively pursue strategies, with the help of CSR, to enhance their customer and consumer satisfaction and to improve production. We were not able to secure sufficient cooperation from corporations to be able to evaluate whether the corporate stakeholders, including shareholders, were able to see CSR as a 'shared value' or a 'strategic investment'. It was evident that their engagement is generally philanthropic in nature and self-serving in some contexts, such as – in the case of telecommunications companies - "bribing" the armed insurgency with communal projects such as the construction of mosques, etc. to maintain operation of their mobile phone towers. Identifying developmental priorities of the country or even a sound post-construction sustainable operation of their assets does not seem to be high on their agenda.

Mr. Adil, in his Ph.D. research, has identified a number of cases of abused, misused, damaged and alternatively purposed assets that were provided to institutions or communities by some companies as part of their declared CSR programs.

Among medium-sized corporations, the level of engagement is dependent on the moral compass of the owner and his/her mood. Medium-sized corporations are more prone to ups and downs of the market, and as such their profits/losses fluctuate more intensely than their larger corporate peers, causing their philanthropic giving also to fluctuate. Whereas among the large corporations there are other than philanthropic giving tendencies, e.g., offering health care for all employees and their dependents, environmental contributions, and other related social responsibility initiatives, medium-sized corporations typically engage only in charitable giving.

The dynamic of small companies in Afghanistan is significantly different from those of medium or large-scale companies. Small companies typically have very limited capital, work with very low margins and are used to supporting just one family to make a reasonable living. They typically do not have a systematic accounting system and are extremely susceptible to ups and downs of the marketplace, potentially losing all their capital and assets with the smallest of the tremors. As a result, their footprint in the charitable giving arena is minimal, and CSR programs are non-existent.

#### *4.4.2 Engagement of Business Community*

To develop a good understanding of CSR in Afghanistan, we interviewed a total of 17 large corporations, out of which 10 (65%) corporations had active CSR programs. All of these programs were established between 2003 and 2016, with the majority around 2008-2012. With the exception of just one corporation, none of the surveyed were willing to offer insight into their annual revenue and

CSR-related spending figures. All interviewed corporations indicated that they offered in-kind as well as cash donations to persons or communities in need. Only about 15% of the interviewed indicated that they did not offer staff volunteering opportunities for welfare purposes.

Most large corporations indicated that in addition to their CSR contributions, they also paid the required taxes to the Afghan Red Crescent Society through their import duties and vehicle registration fees.

We interviewed a total of 14 medium-sized companies, out of which five (36%) companies had active CSR programs. These companies established these programs around 2003-2004, with one each established in 2014 and 2016. With the exception of just one corporation, none of those surveyed were willing to offer insight into their annual revenue and CSR-related spending figures. Only three out of five (60%) companies interviewed offered in-kind donations to persons or communities in need, while 40% offered staff volunteering opportunities for welfare purposes.

We interviewed a total of 43 small-sized companies, out of which 14 (32%) were in Kabul and five companies in each of Mazar e Sharif, Herat, Kandahar and Jalalabad. The types of businesses they represented included pharmacies, grocery shops, hardware stores, clinics, restaurants, mobile shops, ice cream shops, clothing stores, real estate agents, gas (fueling) stations, bakeries, etc.

#### *4.4.3 Assessment of Business Community*

We based the assessment of the business community on a number of factors, which are categorized as follows:

##### **Motivation for CSR Engagement:**

When asked what their motivation was for engaging in CSR, while being able to select multiple choices, the majority of large

corporations responded that they engaged in CSR for ethical (50%) and “giving back” (60%) reasons, while 30% did so for marketing reasons.

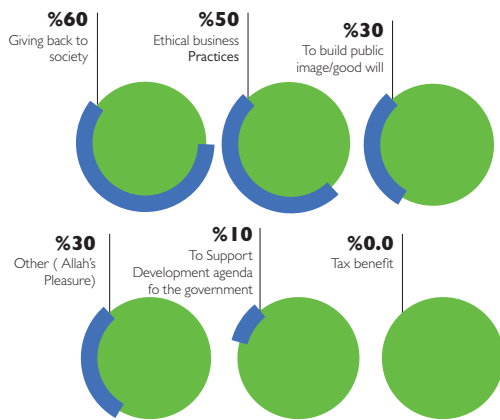


Figure 2 - Motivation for Charitable Giving

Among the medium-sized corporations, 40% engaged in CSR for ethical reasons, 80% for “giving back” reasons, while 40% did so for marketing reasons (some having more than one reason).

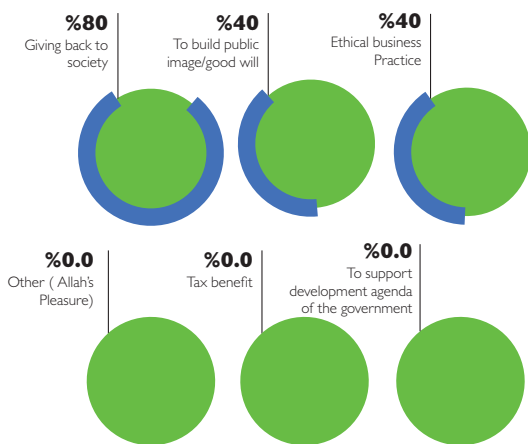


Figure 3 - Motivation for Charitable Giving

Because of the nature of small companies, most of the issues of small business owners in Afghanistan are synonymous with those of the general consumers. Hence, their charitable giving is generally Zakat (45%) and general Khairat – a.k.a. Sadaqa – (30%) as well as some contribution to their local mosques or other institutions.

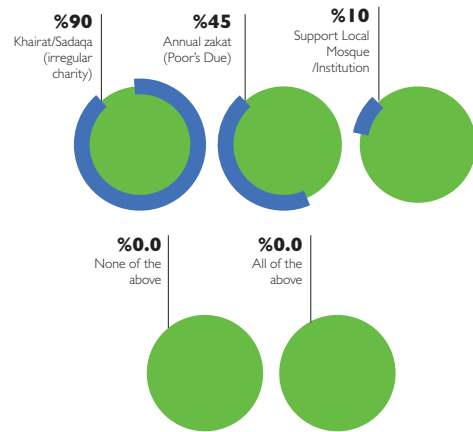


Figure 4 - Type of Small Business Charitable Giving

As a result, 100% of the interviewed indicated Allah’s blessing as their main motivation for charitable giving, with only 10% indicating some level of community recognition as a secondary motivator.

**Sectors of CSR Expenditure:**

When asked in what sectors they spent their charitable giving, while having a choice of multiple sectors, most large corporations responded that they spend their CSR funds on programs in the areas of education (60%) and social/cultural wealth preservation (50%), while other large corporations supported initiatives in the areas of healthcare, community and economic development, disaster relief and human/women’s rights issue.

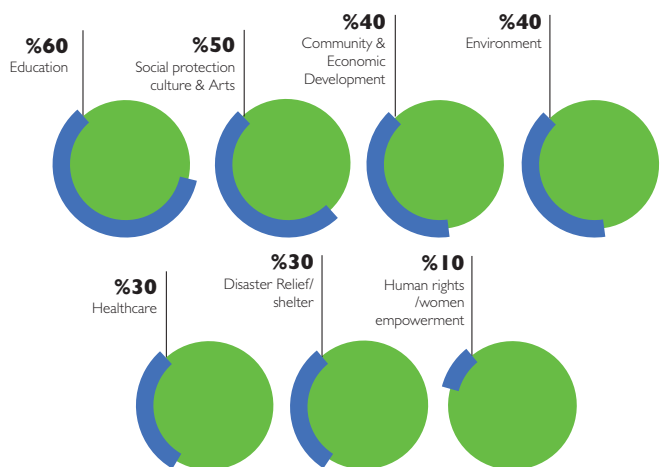


Figure 5 - Sectors of CSR Giving

Most medium-sized corporations spend



their CSR funds on programs in the areas of education (80%) and healthcare (80%), with social/cultural wealth preservation and the environment at 40% each. Support for community and economic development, disaster relief and human/women's rights issues received support from about 20% of medium-sized companies.

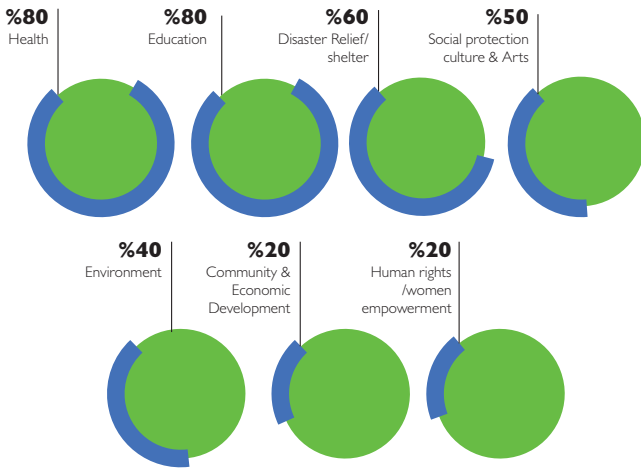


Figure 6 - Sectors of CSR Giving

### Methods of Channeling CSR Funds:

Some 70% of large corporations used their own internal channels to spend their CSR funds. Some corporations channeled their CSR funds through the government (40%), including the Directorate of Disaster Relief, the Afghan Red Crescent Society and other organizations/agencies. Others channeled their funds through CSOs, external foundations, trust funds, etc.

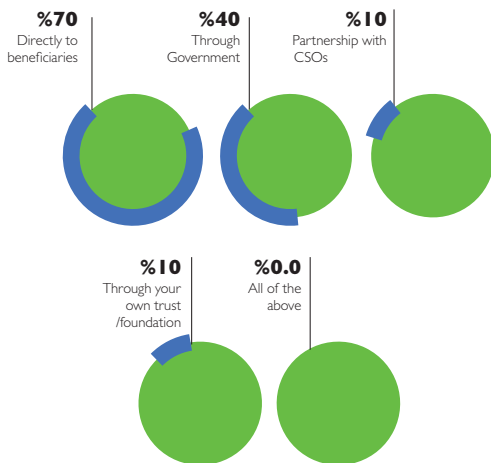


Figure 7 - CSR Distribution Channels

All of the medium-sized companies have channeled their CSR funding through their

own business units. None of them relied on external sources to spend their CSR funds.

None of the large- or medium-sized corporations maintained a department that was directly responsible for channeling CSR funds. About 30% of large corporations channeled their CSR expenditure through their finance departments, while others used their marketing departments (20%), administration, human resources and partnership departments to channel their CSR funds.

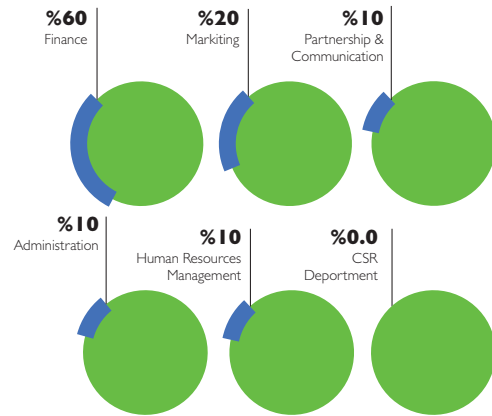


Figure 8 - Department Managing CSR Activities

All interviewed medium-sized companies used either administration or finance departments to channel their CSR funds to the needy.

### CSR Budget:

About 40% of large corporations did not have a pre-set budget for their CSR activities, while 30% stated that they did have a pre-set budget for CSR activities, even though most of them were not able to or did not want to cite the allocated budget for the present or previous fiscal years. About 30% of respondents declined to answer this question altogether.

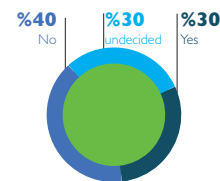


Figure 9 - Share of CSR Giving

None of the medium-sized corporations had a pre-set budget for CSR activities.

**Internal or External Policy/Guidelines:**

The vast majority of large corporations in Afghanistan neither follow an internal guide/policy (60%) for CSR, nor are they guided by an external policy/guide (70%) such as a government policy, UN mandate, regional pacts or any other such guiding documents to regulate/structure their CSR-related activities. They mostly rely on ad-hoc principles and systems to identify the areas of CSR engagement, the methods of engagement, the amount of contribution and other related factors. All respondents indicated that they would appreciate any guidance offered by the government or any other regulatory organization.

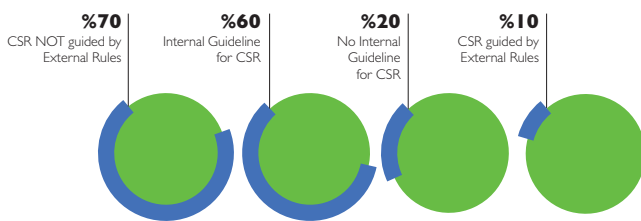


Figure 10 - Rules Guiding CSR Activities

None of the medium-sized companies follow any internal or external guidelines or rules to manage their CSR operations. Hence, their activities are ad-hoc and personal preference based, rather than being structured or systematic.

**Impact of No Government Policy on CSR:**

When asked if they planned to change their existing CSR expenses if government policies remained unchanged, the absolute majority (80%) of large corporations stated that they would either continue their existing levels of giving or increase them. About 20% of respondents did not answer this question.

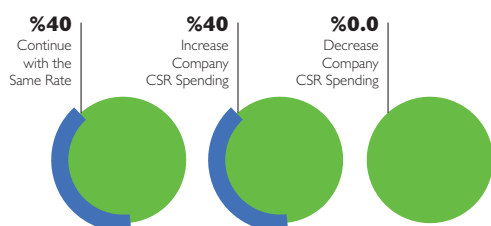


Figure 11 - CSR Giving based on Existing Laws

Medium-sized companies responded that it would have no upwards or downward impact on their CSR expenditures.

**Impact of Government Incentives:**

When asked if they would change their corporate giving if the government offered

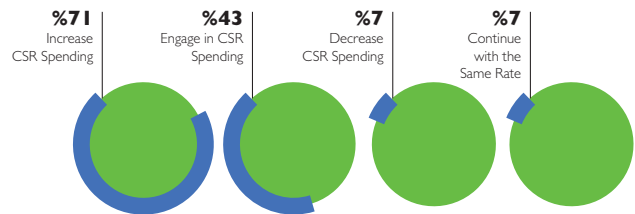


Figure 12 - Effects of Government Tax Incentives

tax incentives such as credits on taxable income or other arrangements, 78% of large corporations with an active CSR program responded that they would either maintain their existing levels of CSR engagement or increase it. Some 43% of large corporations did not have an active CSR program. All of them stated that they would start to engage in CSR activities if the government offered some incentives.

Some 90% of medium-sized corporations stated that they would either maintain their existing levels of CSR engagement (70%) or increase it (20%).

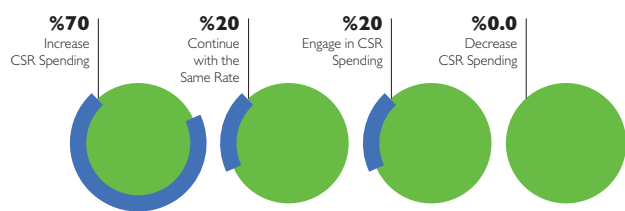


Figure 13 - Effects of Government Tax Incentives

Among those medium-sized companies that do not have an existing CSR program, 100% indicated that they would either start a formal program and or increase their CSR expenditures if the government offered financial incentives to socially engage. Some 93% of small business owners interviewed indicated

that they would increase their charitable giving if the government offered incentives including tax breaks, etc.

**Benefits from Social Engagement:**

All large corporations interviewed were positive about the benefits they received from social engagement, which included business benefits (50%) as well as religious benefits (14%).

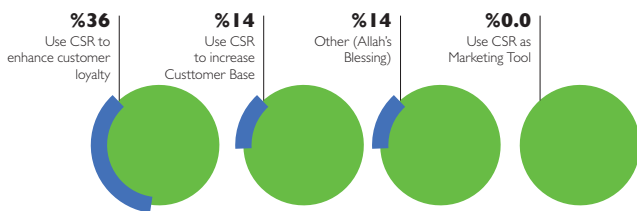


Figure 14 - Corporate Advantages of CSR

Most medium-sized corporations did not respond when asked about the benefits they receive from their corporate giving program. Among those that did, the majority considered it as a marketing benefit, while some cited religious benefits for their social giving.

**Cause of Lacking CSR Program:**

Among those large companies that did not already have an active CSR program, 29% indicated financial constraints and 7% a lack of government incentives as their main reasons. About 14% were not familiar with CSR or were unfamiliar with CSR as a business activity/tool. Some 50% of respondents did not answer this question.

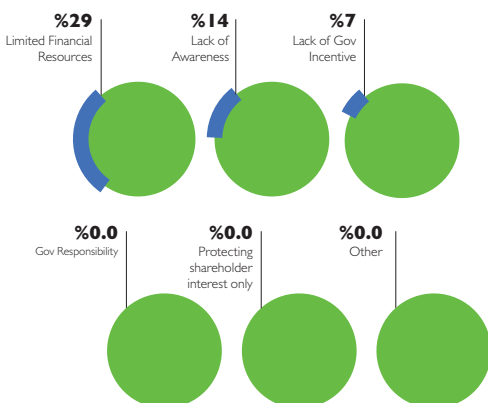


Figure 15 - Causes of No CSR Programs

Some 40% of medium-sized corporations cited financial constraints and 20% a lack of government incentives as their main reasons for not having an active CSR program. About 20% were either not familiar with CSR at all or did not know that it was a business activity/tool.

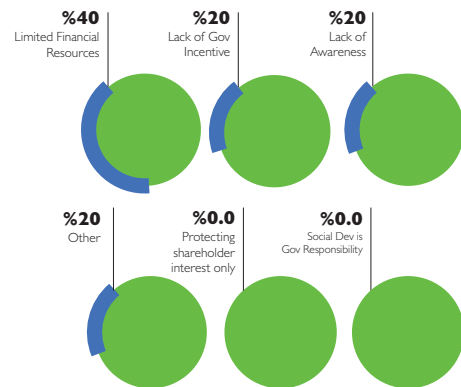


Figure 16 - Causes of No CSR Programs

**Receiving Appreciation for CSR:**

Corporations like the idea of being recognized and appreciated for being socially responsible. Some 71% of large corporations,

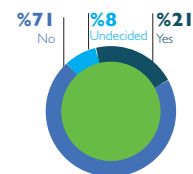


Figure 17 - Corporate Expectations

60% of medium sized corporations and 52% of small businesses appreciate being recognized for their socially responsible actions.

**Government Mandated CSR:**

The majority of large corporations (57%) and medium-sized corporation (60%) do not appreciate the idea of a government- mandated CSR tax. However, this number is significantly below expectations, especially since about 43% of large corporations and 30% of medium-sized corporations indicated that they either supported or did not have any objections to a government-mandated CSR tax.



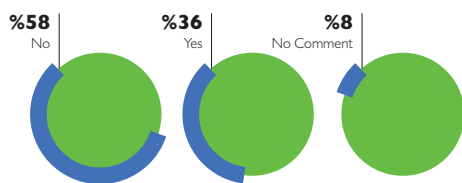


Figure 18 – Government Mandated CSR (Large Corporations))

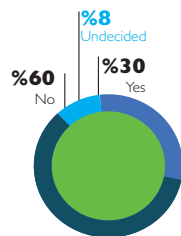


Figure 19 - Government Mandated CSR (Medium Sized Corporations)

Some 90% of small business owners indicated that they objected to a government-mandated charitable giving level or requirement.

### Legal and Regulatory Context for CSR:

All large- and medium sized corporations were clear that they wanted some level of clarity on the legal and regulatory context of CSR in Afghanistan. Laws, rules, regulations, tax incentives, or other related guidelines and directions by the government would make their engagement significantly more effective and easier to manage. Some level of subsidy for engagement of corporations in socially responsible initiatives such as tax incentives would also be highly welcomed and will likely increase corporate social responsibility.

#### 4.4.4 Summary of Corporate Engagement and Sentiments

In summary, large corporations in Afghanistan either do not have a systematic CSR program or cannot quantify such programs in a budgetary sense. Their understanding of CSR is limited to charitable giving, which they exercise due to the corporate owners' religious and cultural preferences and not out of a business operational need. They prefer not to have the government mandate a CSR tax but welcome clarity on laws, rules and regulations from

the government, in addition to some sort of government financial incentive for engaging in CSR. There appears to be significant differences between MNCs and local Afghan companies, predominantly because of the mandates that MNCs receive from their headquarters. Some good examples of sustained and institutional CSR by local corporations, especially in the telecommunications industry, by Afghan corporations such as AWCC and Roshan can also be observed. Other companies with a more in-depth CSR program include media conglomerates Moby Group and Hotak Azizi Group.

Medium-sized companies are not much different than their large company peers. They do not have a standard CSR program. They do not maintain a budget, and the CSR spending is at the discretion of the business owners. They prefer to spend on education, healthcare and humanitarian assistance. They differ from their large corporation peers in that they exclusively spend their CSR monies through their own channels and do not rely on others to give their money away. They do not like government-mandated CSR spending but appreciate any incentives and regulatory support the government can offer them. They like to be appreciated for their work and will contribute more if their recognition is supported with government incentives.

Medium-sized corporations stress that pollution of the air and waters should be penalized by the government, and more environmentally friendly technologies should be encouraged and incentivized. Greater awareness about benefits of corporate social responsibility and the manners of achieving them will help them to enhance their social contribution.

### 4.5 CSR PREFERENCE OF CSOS

We interviewed altogether 12 CSOs in Kabul, Herat, Mazar e Sharif, Kandahar and Jalalabad. Each employed an average of 78 persons, with the largest employing 250 persons and the

smallest employing just seven persons. Some 8% of the interviewed CSOs operate in urban areas, while 17% operate in rural areas and 75% in both rural and urban areas of the country. Some 50% of the CSOs work in the human rights and advocacy sector, while 17% covered the service sector. Some 25% are operating in other miscellaneous sectors. The thematic areas of operation of these CSOs were healthcare (25%), education (33%), Water, Sanitation and Hygiene (WASH) (25%), environment (33%), human rights (17%) and women empowerment (42%).

The interviews indicated that most CSOs do not have much information about the role of CSR within the economic dynamics of Afghanistan. They do not really understand the implications that CSR can have for their operations, their funding sources and their ability to diversify their funding portfolio, while enhancing the opportunities available to their stakeholders in the communities they serve. Some that did have a well-defined understanding of CSR rely on organizations such as AICS to help create awareness, provide education and support the creation of systems through advocacy, lobbying and regulatory support services.

Most CSOs believe that even though they have the potential to be a valuable partner for the private sector (especially large corporations), they are not being seriously considered for partnerships and their expertise and grassroots presence is not always appreciated when it comes to channeling CSR initiatives.

Most CSOs believe that it is the corporations and encourage or entice them to take responsibility for their society, the environment and the welfare of the communities where they operate. Awareness creation, developing rules, regulations and guidelines for socially responsible corporate behavior as well as enforcing such regulations are some of the desired objectives to be worked on.

## 4.6 CSR PREFERENCE OF INTERNATIONAL NGOS AND DONORS

International NGOs are similar to Afghan CSOs in their sentiments towards CSR. They consider it a necessity yet understand that the Afghan dynamic around CSR is more of a “hands off”, “I do not get it”, “anyways they do not care” mentality. Hence, international NGOs also stress the need for awareness creation, advocacy and active engagement with the corporate world, with the government and with the population at large.

International NGOs have the added advantage that their headquarters are typically dealing daily with corporations and have been privy to their financial support for their normal operations as well as specialized and dedicated programs. For example, in one year, The Asia Foundation received around \$22 million from corporations, which they spent on different programs in various countries.

International NGOs (INGOs) typically struggle with the notion that they should get their funding from overseas and bring such funding to spend in Afghanistan on various programs. Some INGOs serve also as donors, which creates additional expectations among the Afghan population. Hence, their role in promoting CSR is somewhat limited, as their advocacy in favor of CSR by Afghan corporations and Afghanistan-based MNC operations can be misconstrued. The INGOs’ role in advocacy for CSR is, therefore, limited to their support for government entities to create the regulatory environment for CSR and their support for local NGOs and CSOs to create the right infrastructure for themselves, the government as well as the corporations.

## 4.7 GENERAL CONSUMERS' VIEWS ON CSR OVERVIEW OF CONSUMER SENTIMENT:

A consumer is also a product of the society, and his/her level of understanding of CSR is reflective of the overall conditions of the country. The qualitative survey indicated that the general consumer does not really understand the comprehensive role of CSR in corporate engagement. Thus, during the quantitative assessment, we replaced the term “CSR” with “corporate philanthropy” or “corporate charitable giving”. This replacement enhances the understanding of the concept, while providing the study a point of reference for the general direction of the consumers’ preference with respect to socially responsible behavior by corporations.

### The Demographic Data:

To develop a reasonable understanding of the consumer’s sentiments, we carried out a qualitative survey of more than 200 persons in five major cities of Kabul, Herat, Mazar e Sharif, Jalalabad and Kandahar. The majority of the interviewees were in Kabul (33%) because of the nature of the city and the level of available information about CSR among the general population. Other cities were relatively equally represented at around 12-19% each, so that the total survey offered a representative view of the perceptions of the general populations in all major cities. Even though we did not interview the rural population, and their views are not reflected in this survey, we assume that their level of awareness and understanding of the roles of CSR and the general consumer’s expectations from the corporations to demonstrate a level of socially responsible engagement will be relatively comparable to these findings. We observed some differences between the views of consumers in different cities, even though as a whole they were fairly comparable.

Cities	# of Interviews	Percent
Kabul	67	33.0
Herat	36	17.7
Mazar	40	19.7
Jalalabad	35	17.2
Kandahar	25	12.3
Total	203	100.0

Table 4 - Interviews per Province

The consumers interviewed were engaged in different industries, including working for large- and medium-sized corporations, small businesses, CSOs, in academic institutions, in government and among the general public with no direct organizational association. Hence, their views as reflected in the report are comprehensive and representative of every category of the population in the country. Unfortunately, because of the nature of the cultural context in the country, by far the majority of our interviewees were male (89%), with only 11% of females.

Interviews Associated with	Frequency	Percent
Consumer	97	47.8
Large Corporation	23	11.3
Medium Sized Company	21	10.3
Small Company	7	3.4
CSOs	22	10.8
International NGO	7	3.4
Academia	28	12.8
Total	203	100.0

Table 5 - Affiliation Group

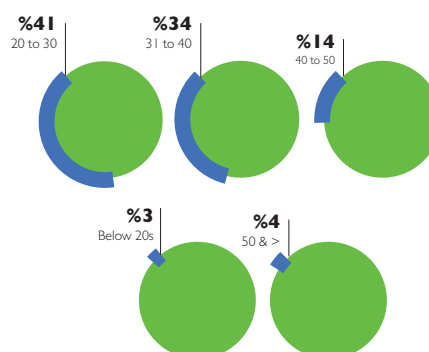


Figure 20 – Interviewee Age Groups

About 75% of the interviewees were in the age category of 20-40 years, which is fairly representative of the general distribution of

the population in Afghanistan (68% under the age of 30 years).

The level of education of the interviewees is not reflective of the actual average educational level in the country, which puts the adult literacy rate at around 32% (UNESCO). We carried out the survey among mostly educated to highly educated persons, with 64% with a bachelor's degree or higher. This difference is understandable, since the urban population is mostly more highly educated than the national average. As such, their income levels were also generally higher, with mean monthly incomes of around AFN 42,000 and the median at around AFN 26,500.

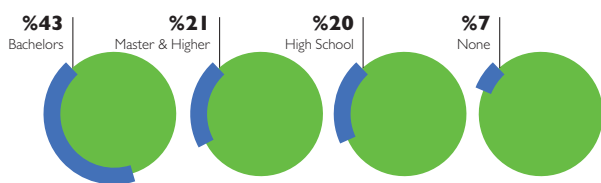


Figure 21 - Educational Level of the Surveyed

### Source of Information about CSR:

As such, when given multiple choices to select, about 85% of the interviewed population were aware of corporate philanthropy, and about 82% believed that it contributed towards social development of their communities. They mostly learned about corporate philanthropy through TV/radio (67%) and social media (52%), with about 26% through their personal experience with corporate giving. We noticed some differences in the different provinces, where Mazar e Sharif and Kandahar population rated the engagement of corporations' CSR for social development at around 10% lower than in the other three major cities. In Mazar e Sharif, about 10% fewer consumers believed that engagement in CSR enhanced the image of corporations. Other cities' view on this issue were comparable. The medium of learning about CSR in Kabul was less weighted towards radio/TV at around 15%, while social media was about 10% less critical than in other cities. Herat demonstrated an exceptionally low level

of learning about CSR through social media, at about 20% less than in other cities. In Mazar e Sharif, about 10% more consumers learned about CSR through friends and family than in other cities.

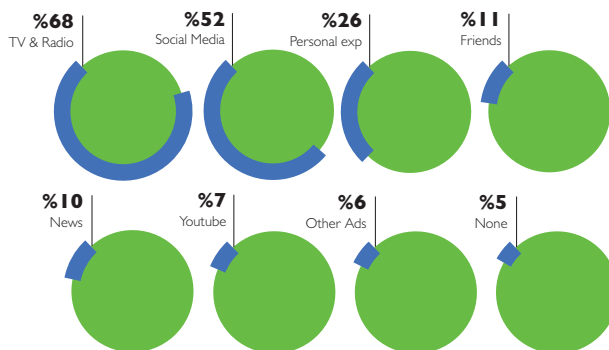


Figure 22 - Source of Information about CSR

### Consumer Appreciation for CSR:

We found a general sense of appreciation among the public for those corporations that engage in charitable giving. Some 79% of those interviewed stated that they preferred to buy a product or service from a company that engaged in charitable giving and behaved in a responsible manner. They also responded at a rate of greater than 90% with "Strongly Agree" or "Agree" when asked if they preferred buying products and/or services from companies that offered free healthcare, education services, safe drinking water, care for the environment, had a strong charity program or demonstrated respect and care for their society and country. On average, across all services provided by corporations, Herat demonstrated a lower level of appreciation by about 7% compared to other cities. Other cities' level of appreciation was fairly comparable to each other at the stated averages.



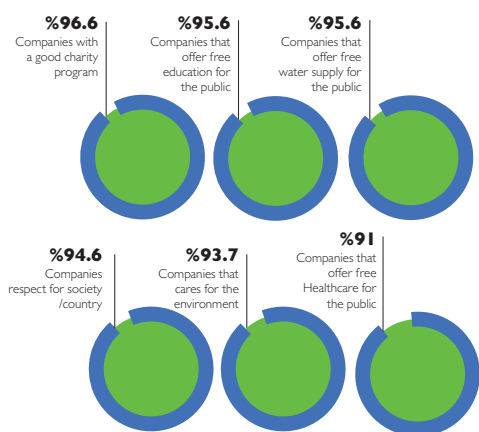


Figure 23 - Customer Preference for Responsible Corporations

These results indicate that if companies properly advertise their corporate giving programs, customers would more likely choose them over other brands. Our surveys of corporations do not corroborate this assessment (refer to Figure 12); they indicate only about 14% of large corporations and 10% of medium-sized corporations appreciate that greater CSR spending would trigger an increase in sales. Moreover, only 36% of large corporations and 30% of medium-sized corporations stated that greater CSR engagement would enhance their customer loyalty. It appears that corporations have not done their homework and as such do not see the potentially greater revenue that they can achieve if they behave more socially responsible and advertise it accordingly. They do not appreciate that their customers support socially responsible corporations at the expense of their not socially responsible competitors. This survey finding is aligned with the global trend that corporations with a well-defined and advertised CSR program see an increase in their sales and profitability numbers. It is critical that Afghan corporations are a) made aware of this important dynamic, b) encouraged to engage more intensively and effectively in CSR-related activities, and c) market their involvement in CSR to their customer base more effectively to see the actual benefits of their socially responsible behavior and actions.

## The Consumer as a Corporate Marketing Agent:

Some 67% of those interviewed also stated that they do not hesitate to recommend to their friends and family to purchase products and services from companies that engage in a socially responsible manner. This number was significantly lower in Kandahar (by about 23%), while Kabul consumers were more willing to recommend them to their friends and family by about 9%. Thus, consumers are willing to serve as extensions and marketing agents for those corporations that have good CSR programs. Such programs are thus a significant “value-add” for corporations that should be best utilized to enhance the distance that their marketing budgets will take them.

## Government Incentives for CSR:

Our interviews with government agencies, including the Ministry of Finance, indicated that they are not willing to offer any tax incentives for charitable giving, because the government’s priority at present is to increase tax collections and not offer tax breaks. The consumers disagree with this notion of the government and say with a clear voice (88%) that the government should offer incentives for corporations that engage in socially responsible behavior. Kabul demonstrated a lower average by about 11% compared to other cities. Only 5% of the respondents objected to such incentives, which is a significant mandate from the population. These findings offer a strong tool for AICS and the corporations to lobby in favor of such incentives. It would be short-sighted of the government to underestimate the value and effect of a strong CSR program as a tool for enhancing the quality of life of the population and contributing to the social, economic, environmental, and political development of the country.

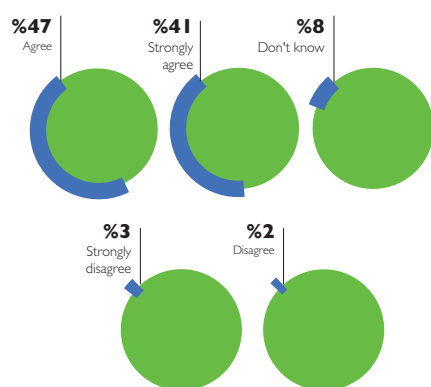


Figure 24 - Government to offer incentives for CSR

### Government Mandate for CSR:

The consumers strongly favor government-mandated charitable giving programs. Some 77% of the respondents either “Agree” or “Strongly Agree” with such a mandate, while only 2% disagreed. None of the respondents “Strongly Disagree” with a government mandate for charitable giving. There were no significant differences among the five cities, even though Kabul and Herat did indicate a lower support for mandated corporate charitable giving by about 6-8%.

When the question shifted from charitable giving to the overall concept of CSR, which is clearly not well understood by many consumers, the response was different. Some 65% of the respondents objected to the imposition of CSR requirements on corporations (Kabul less by 23% and Herat less by 13%, while Mazar e Sharif, Kandahar and Jalalabad were higher at 14-23%), and about 46% of the respondents agreed to penalize corporations for not engaging in CSR initiatives (Herat and Mazar e Sharif showed more support for a penalty by about 22%, with Kandahar and Jalalabad a lower support by about 25%). This apparent contradiction can possibly only be explained by the lack of clarity of the respondents on the topic of CSR. The concept of corporate charitable giving, as well as other components of CSR such as care for the environment, the country, the community, safe drinking water, good education and good healthcare, are strongly supported by

the respondents, with more than 90% offering their support. Thus, while consumers strongly object to government-imposed CSR, in reality, the consumers want the government to set a mandate for CSR and to offer incentives for CSR-related costs.

The respondents understand very well that small companies have a unique dynamic, which leaves them vulnerable, both financially and also legally. As a result, 57% of respondents rejected imposition of a CSR requirement on small companies. In Kabul, this number was significantly higher, at 78%, with Mazar e Sharif and Jalalabad significantly lower at around 46% and 35%, respectively.

### Spending CSR Money:

About 66% of the respondents want corporations to spend CSR money themselves instead of channeling it through the government or third parties. This number is lower in Kabul and Herat by about 20% and higher in the other cities by about 25%. This preference for corporations spending CSR funds themselves is likely because of the lack of trust of the consumers for the government or third parties. Such distrust, may have been caused, among other reasons, by inadequate communication and public awareness about the work that others such as CSOs offer in the country and which could yield significantly more effective outcomes than if the corporations engaged in humanitarian work on their own. Additionally, because a well-known and well-publicized program to screen CSO projects for corporations is nonexistent, consumers are hesitant to risk allocation of corporate CSR funds to others for spending. In Kabul and Herat, where trust for CSOs is more prevalent, their responses were significantly less harsh towards CSOs, at around 45%. Similarly, the respondents also rejected, by a margin of 41% to 34%, the notion of the government collecting and then distributing CSR money, with Kabul consumers more in favor than in other cities.

**Summary:**

In summary, consumers want corporations to be socially responsible and are willing to reward them for their social responsibility by buying their products and services and by encouraging their families and friends to buy them. They are willing to push the government to offer incentives for corporations to encourage and entice them to be socially responsible. However, if they do not do so, consumers are also willing to support the government to mandate charitable giving by corporations and, where needed, to levy fines for the failure to be socially responsible.

General consumers want corporations to take responsibility in their own hands to distribute their allocated financial contributions. They consider it unwise for the government to collect and disburse such funds to those in need. They understand that small companies are vulnerable to economic and political changes and want them to be left to their own accord to assume socially responsible behavior.

Consumer sentiment is a significant factor for corporations, the government as well as civil society to watch and respect.

Corporations need to recognize that consumers are sensitive to their behavior towards the community, the country and the society at large. Consumers will take a conscious decision in favor of more socially responsible companies.

In a competitive environment, it is critical that corporations pay attention to such factors that can differentiate them from competitors.

The government must recognize and realize that consumers want it to take a leadership role in encouraging, enticing and even compelling corporations not only to worry about their immediate bottom line but also to take their responsibility in giving back to the society in a serious manner. Hence, the consumers want the government to initiate laws, rules, and regulations that guide the process of CSR in the country. They also want them to then enforce those laws, rules and regulations and ensure that corporations are an effective player for the wellbeing of the society as a whole.

Civil society organizations know that neither the government nor the corporations will necessarily undertake any significant measures to engage in a socially responsible corporate system. Hence, it is the responsibility of the government to convert consumer sentiment into actionable policies, laws and support systems that make the engagement of corporations in socially responsible behavior better organized, more streamlined and void of tension and resistance.

The combination of government, corporations and civil society organizations is the key to successful CSR development in Afghanistan.







# 05

## CSR IMPACTS AND COMPLIANCE IN AFGHANISTAN

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# CSR IMPACTS AND COMPLIANCE IN AFGHANISTAN

## 5.1 MEASURING THE IMPACT OF CSR IN AFGHANISTAN

Measuring the impact of CSR-related in Afghanistan activities is very difficult. An Afghan PhD student, Mr. Abdullah Adil, studying at the University of Bochum in Germany made an effort in 2017 to research the “Practices and Economic Impact of Corporate Social Responsibility (CSR) in Afghanistan”. The intent of the research was to “explore different patterns of CSR in Afghanistan and the ideas behind CSR initiatives from the business side”. He wanted to develop country-specific typologies of CSR activities and compare them with similar work in other developing and developed countries. The research also aimed at “analyzing deeply some selected cases (CSR projects)” for their “economic impact on local communities using economic evaluation methods”. He wanted to find out if “CSR could be an alternative or substitute for public utility provision” in Afghanistan.

Evaluating corporate websites of Afghan companies and online explorative survey, Mr. Adil assumed that CSR-related activities were significant in number and warranted field research to evaluate their “existence” and “impact”. However, after his initial field survey, he had no choice but to abandon his research because of the challenges and resistance that he faced in identifying, visiting and evaluating CSR initiative sites.

His research was supported with more than 18 official letters from relevant Ministries and institutions as well as more than 70 official and unofficial e-mails exchanged to support a formal research-based assessment of the projects. Altogether Mr. Adil could visit only 11 locations in four provinces to review projects, as companies raised privacy and trust as well as other undisclosed issues. The challenges

were further exacerbated by the absence of responsible departments that could be a formal counterpart for Mr. Adil. As a result, in most cases, he could not identify or visit projects listed in the corporate websites. The visited projects included services in the areas of hospitals, schools, e-learning centers, water wells and telemedicine project. Mr. Adil obtained the following key results:

1. All large companies are doing some social activities, but only some of them are familiar with the term “CSR”.
2. Telecommunications is the dominant sector where private companies have regular social activities.
3. Most social projects of private companies are short term projects where beneficiaries are difficult to trace (such as disaster response and food distribution, etc.). Furthermore, some projects are implemented in locations where the same services in the same area are provided by CSOs, which makes it difficult to measure the pure impact of CSR projects.
4. Due to unsustainable maintenance mechanisms behind CSR projects, nearly all projects are either destroyed or were less effective after a few years.
5. The overall business and economic situation caused some companies to cut funds from their social projects.
6. Most of the companies established separate foundations for social activities. However, in some companies marketing and human resources departments are responsible for CSR projects, which made it difficult to pinpoint the actual projects.
7. Some projects (e.g., construction of hospitals, schools, small water wells and playgrounds) could be considered for the economic impact analysis; however,

measuring their impact is difficult because the corporation itself is not involved in operation of these facilities.

8. Very few projects were interested in further research; among them, however, were a telemedicine project by Roshan and a scholarship provision project by MTN-Afghanistan.

The overall assessment of the research project was that because of lack of a proper regulatory environment, an inadequate understanding of the concept of CSR (including the associated reporting mechanisms, the short term nature of the commitments that limited the corporate influence on sustainability of the initiatives, the lack of adequate coordination with government and the CSO actors in the target area, etc.) made it very difficult to assess the impact of such initiatives. In addition to the research conclusions, it is fairly likely that the possible misrepresentation of the extent, the scope and the success rate of CSR by some corporations also affect the actual impact that CSR initiatives achieve.

Mr. Adil's findings are also aligned with other comments received during the assessment, which significantly fault lacking regulations and government oversight for ineffective CSR initiatives. In addition, the lack of proper awareness of the scope and context of CSR by the affected corporations, as well as the targeted communities, have contributed to the inefficiency of CSR initiatives in the country.

Mr. Adil's damning findings on the effectiveness and impact of CSR in Afghanistan are only an indication of the state of CSR in the country from the point of view of philanthropic engagement of such corporations. We address other aspects of CSR -- such as corporate governance; the ethics of doing business; and compliance with environmental, labor and other social guidelines -- below..

## 5.2 CORPORATE GOVERNANCE

Good corporate governance and good corporate citizenship go hand in hand. If a corporation is well-governed, it will be cognizant of its responsibility not only towards its shareholders but also towards its employees, the community it serves, the government to which it pays taxes and whose regulations it has to follow, and the social and environmental concerns that it must address. A well-governed corporation will also be able to deliver on its promised CSR goals and obligations. Therefore, the relevance of a good corporate governance system and of good corporate governance within the context of CSR is significant.

Boards of directors of corporations are critical components of the governance system. They ensure that the direction chosen for the corporation is conducive to becoming an entity with a sound social conscience and that the policies and strategies selected will also be implemented by the corporate management.

A German corporation's board of directors typically consists of persons representing shareholders, workers/employees, government agencies, social welfare organizations, financial institutions (banks) and other relevant stakeholders. The combination ensures that decisions are taken with the interests of each of the players taken into consideration and that the corporation has a good likelihood of becoming and remaining a "good corporate citizen".

In Afghanistan, there are no systems or regulations in place to guide the corporation to even become a responsible entity, let alone a "good citizen". Where corporations have, on their own, created a healthy governance system, there is no oversight and/or regulatory system to ensure that they function as planned. Domestic corporations are typically solely- or family-owned, and the dynamics of the governance system is accordingly dependent on one person or one family. MNCs may

have some governance system that has been imported from their corporate headquarters; however, such systems are also neither controlled nor regulated by any external entity in Afghanistan. As a result, even if the corporation is well-led and has developed some level of social conscience, consistency and sustainability of the conscience is mostly prone to chance rather than to a well-developed and well-executed governance system.

### 5.3 THE ETHICS OF DOING BUSINESS IN AFGHANISTAN

Encyclopedia Britannica makes a slight distinction between morals and ethics. “Both morality and ethics loosely have to do with distinguishing the difference between “good and bad” or “right and wrong.” Many people think of morality as something that’s personal and normative, whereas ethics are the standards of “good and bad” distinguished by a certain community or social setting<sup>41</sup>”. The difference between morals and ethics in business is, thus, likely that morals may be based on the personal compass of a business leader, while ethics are based on the standards, guidelines and rules established by the business, the government or any other regulatory agencies to operate in a “respectable” and “legal” manner. In an article titled “Is there a Difference Between Ethics and Morality in Business?” Bruce Weinstein came across a number of different definitions of what those differences were. One such definition was “Morals come from within one’s own internal compass. Ethics are more extrinsic rule sets to guide us all.<sup>42</sup>”

Investopedia defines business ethics as “the study of proper business policies and practices regarding potentially controversial issues such as corporate governance, insider trading, bribery, discrimination, corporate social responsibility and fiduciary responsibilities”. Some of the principles included in business ethics are integrity, loyalty, honesty, respect

for the law of the land, respect and concern for others, fairness in business dealings, being trustworthy, sticking to commitments and promises, accountability and a commitment to excellence.

One critical social responsibility of a corporation is to behave ethically and to ensure that its operations meet the highest ethical standards. In Afghanistan, business ethics are far from where they should be. In its 2018 annual Corruption Perception Index, Transparency International has ranked Afghanistan number 172 out of 180 countries. This ranking is a significant improvement compared to the past decade or so, when Afghanistan was considered either the most or one of the top five most corrupt countries in the world. In 2012, The Civil Military Fusion Center issued a paper titled “Corruption and Anti-Corruption Issues in Afghanistan”, in which it stated that corruption in Afghanistan

“has become widely recognized as a key challenge for governance and rule of law and as an obstacle for sustainable, private-sector-led economic growth . . . The Afghan government has made several commitments to address corruption at previous conferences and within the scope of the Afghan National Development Strategy (ANDS). However, the problem is still widespread, according to major non-governmental organizations (NGOs) such as Integrity Watch Afghanistan (IWA) and Transparency International”.

The business sector is part and parcel of corruption in Afghanistan. Businesses are either drivers of corrupt practices or directly affected by them, either positively or negatively. Focus group participants stated that one of the main causes of lack of trust in the effects and impacts of CSR is the widespread culture of corruption within the business sector. Violations of every aspect of ethical business practices, as listed

41: <https://www.britannica.com/story/whats-the-difference-between-morality-and-ethics>

42: <https://www.forbes.com/sites/bruceweinstein/2018/02/27/is-there-a-difference-between-ethics-and-morality-in-business/#2cd056e32088>

in the second paragraph of this chapter, are rampant. One focus group member stated that a private university collects a certain percentage of the professors' salaries as a contribution towards charitable giving. However, no one knows if the money will eventually end up with the beneficiaries or not, because the level of trust needed to feel at ease is generally very low.

Because of a lack of adequate regulatory enforcement and selective enforcement of the law in general, corporate ethics decisions are not by design but rather purely dependent on the morality of the business owners and their level of adherence to the basics of moral behavior. In most cases corporations neither have a written ethical code of conduct, nor do they strictly enforce it. As such the ethics of doing business in Afghanistan, in its entirety as defined in paragraph two above, are haphazard at best and a very minor factor at worst.

## 5.4 COMPLIANCE

Compliance deals with laws, rules and regulations from external sources, including government and regulatory agencies, contractual obligations, voluntary membership-based organizations and others that serve as obligatory guidelines for companies and may be supplemented by internal policies and codes of ethics. They are closely interlinked with governance systems and risk management undertakings by corporations.

CSR by definition is a voluntary undertaking by a corporation, while compliance assumes an obligatory framework. Within the context of CSR, compliance becomes relevant when some aspects of the internal CSR activities, such as some environmental conservation issues, health and safety matters, human resource issues such as equal pay, workplace harassment, etc., are regulated by government agencies or contractually obligatory, e.g. mining contracts in Afghanistan. Compliance may also take an

obligatory form, when corporations take an “internally-facing” view of CSR obligations and see themselves “as part of a larger societal framework and correspondingly assume responsibility towards that society”<sup>43</sup>. It is in this context that we evaluate CSR compliance in Afghanistan.

### 5.4.1 Environmental Compliance

As described under Chapter 4.3.3.4 above, Article 24 of the Environmental Law stipulates that the government (the National Environmental Protection Agency [NEPA] in cooperation with the Ministry of Finance, relevant institutions and provincial, district and village councils) may offer incentives or disincentives for companies and individuals to encourage environmental protection and discourage individuals and corporations from pollution. Thus, compliance with the environmental laws is not the problem; it is converting the law into regulations and then enforcing such regulations that pose significant challenges in Afghanistan.

In response to a survey by the United Nations about the implementation of and compliance with of Article 9 of the Basel Convention against illegal dumping of waste, the then Deputy Minister, Mr. Ghulam Mohammad Malikyar<sup>44</sup>, stated that Afghanistan has no “adequate legal framework to prevent and punish illegal trafficking of hazardous waste.” He further complained of lacks of communication and coordination between entities at the national level, of a legal framework to enforce the framework, of awareness about the provisions of the Basel Convention, and of capacity to detect cases of illegal trafficking. The situation indicates the overall system of the government as it relates to enforcement of compliance with the environmental mandates and regulations.

There are no adequate mandates for environmental protection, possibly with the

43: <https://blog.eqs.com/how-grc-compliance-and-csr-work-together>

44: ICC Implementation & compliance with Article 9 – AFGHANISTAN



sole exception of the Ministry of Mines & Petroleum. There is no mechanism to punish violators against the environment, and the level of awareness of issues and factors associated with environmental protection is also very low. In the absence of adequate and effective communication and coordination among various government agencies, enforcement of compliance suffers significantly.

At the corporate level, there is a general lack of awareness for the importance of “doing no harm” to the environment. Where such awareness is available, profits trump responsible behavior, resulting in situations where brick kilns burn tires for fuel, factories dump waste water in the rivers and streams, and others violate other aspects of the environment. Kabul is the second most polluted city in the world, while Kabul’s underground water table is constantly decreasing, and the aquifers are polluted with sewage water, resulting in more than 70% (WHO) of illnesses in Kabul being caused by unhealthy water.

Environmental compliance is, therefore, not available in Afghanistan, even though environmental protection is an area that requires urgent attention, since Afghanistan’s air, water and soil are becoming more and more polluted, with urban centers most severely affected.

#### *5.4.2 Social Compliance*

Social compliance stipulates that a company has developed internal systems, structures, standards and codes of conduct that offer

guidance and direction on dealing with customers, competitors, employees, suppliers, government regulators and the general public with integrity and ethical conscience. The standards facilitate the creation of an environment where respect for human rights, labor and other relevant rights become the norm. A corporation may align its policies and standards to already developed international norms such as the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work, the Universal Declaration of Human Rights, and other similar standards. Under any circumstances, internal as well as external guidelines provide the foundation for social compliance within a corporation.

In Afghanistan, there are laws that govern labor relations, others that deal with religious rights, and guidelines that address the rights of women in workplace. Where such laws are available, there are guidelines for their implementation. However, typically there is barely any enforcement of the laws by corporations and the government, unless a significant violation of the laws occurs. At the same time, most corporations either have not developed any internal policies and standards on these issues or have done so on paper alone. The combination of these factors translates to an environment where social compliance of corporations has turned into a non-starter. The absence of corporate “self-policing” offers a significant opportunity for CSOs to identify venues for advocacy and activism and enables the creation of change that the country badly needs.







**06**

**FUTURE POTENTIAL  
FOR CSR IN  
AFGHANISTAN**

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## FUTURE POTENTIAL FOR CSR IN AFGHANISTAN

CSR has just started in Afghanistan. Among the educated population, there is a good level of understanding and awareness about the social responsibility role of corporations. However, the scope and extent of social responsibility is still not clear to the vast majority of the population, including the educated. Currently, social responsibility is mostly linked with philanthropic activities of the business owners rather than an all-inclusive responsibility of the corporation to a) fix what they have broken, b) be responsible for the well-being of their workers, and c) give back to the communities from what they have been given.

It took the developed world nearly a century for its corporations to understand the importance of their contribution to their society. However, Afghan businesses will not take that long, because while the developed world evolved organically to enshrine into its systems the sense of responsibility, and is still struggling with it, Afghan businesses will be impacted by the precedents set for them by their peers in other countries.

In a post-2002 environment, Afghanistan chose to not fix the broken landline telecommunications industry of the country but rather leapfrogged straight into 21st century wireless communications. Today, Afghanistan has one of the most advanced and best developed wireless communication systems in the developing world. The key to this change was a good understanding of the then Minister of Telecommunications, Mr. Massom Stanikzai, who chose to set up the infrastructure, policy and motivational foundations for the industry to kickstart, as well as the willingness of businessmen, such as Mr. Ihsanullah Bayat, to invest in the sector. The combination not only critically enhanced the potential for growth and new creations but also served as example for other businesses, local and international, to

follow. It furthermore triggered investments in many other sectors that relied on the telecommunications network to communicate and operate effectively. The same can be replicated with the CSR engagement of a handful of corporations in Afghanistan. With a push by the government to create the policies, laws, rules and regulations that enable a structured CSR industry in the country, corporations will be encouraged, enticed and even compelled to start, expand or innovate in the CSR arena. At the same time, CSOs can create the right infrastructure to enable them to attract CSR contributions from corporations and facilitate a teaming arrangement with the corporate and the government sectors to maximize the benefit of CSR initiatives for the society as a whole. A strong and effective marketing campaign can create a comprehensive level of understanding among the population for the scope and effects of CSR within the society, thus creating a demand-side dynamic to further push social responsibility by corporations to the next level. Thus, Afghanistan can leapfrog the remaining transitional steps of corporations and communities to enhance engagement of corporations in the social responsibility arena.

Whether this leapfrogging will happen or not is solely dependent on how the civil society as well as the government behave and what measures they are willing to take to push the CSR agenda. Traditionally, governments are slower to adopt more socially and environmentally sound approaches to governing. It is pressure and lobbying from the general population, the media and CSOs that can break the cycle of complacency and enable urgently needed change. Thus, it is the responsibility of the civil society to take the lead in encouraging and lobbying for change to laws, rules and regulations by the government as well as to encourage corporations to feel and act responsibly.





# 07

## KEY
























# RECOMMENDATIONS

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## KEY RECOMMENDATIONS

Target	Objective	Activity	Responsible	Urgency
CSO	Develop CSR vision  Create awareness for CSR	Identify and formulate the CSO vision for CSR in Afghanistan	AICS	
		Create demand-side pressure	CSO community	
		Lobby actively the government to create laws, rules and regulations	CSO community	
		Create organization to help launch corporations' CSR programs	AICS, new organization	
	Create Corporate Social Re-sponsibility Index (CSRI)	Identify key indicators	CSO community	
		Develop operational model for CSRI	AICS	
		Implement the model	AICS	
		Support the government to create the necessary legal, regulatory and political environment that enables greater and more systemic engagement in CSR.	CSO community	
AICS	Create enabling environment for government agencies	Create awareness among general public, government officials and corporations.	CSO community	
		Lobby lawmakers/regulators to pass laws/regulations.	CSO community	
		Create a system of CSO certification to create/enhance their credibility	AICS	
		Create a system to certify CSO projects for CSR viability.	AICS	
		Create organizations that support corporations to set up viable CSR programs.	CSO community	
		Offer incentives to start or increase corporate social responsibility	– Government	
		Create rules, regulations and disincentives for corporations not to be socially responsible.	President's office driving Ministries of Finance, Economy, Justice, Parliament	
		Make CSR or components thereof a legal obligation and rigorously enforce it.	ACCI	
		Articulate the types of incentives that corporations need to enhance their CSR engagement	ACCI	
		Collaborate with the Ministry of Finance and Ministry of Economics to develop laws, rules and regulations in support of CSR	ACCI, CSO Community	
Corporations	Create enabling environment for corporation	Restructure company CSR policies	ACCI	
		Seek assistance and support from specialized companies to structure company CSR policy/strategy	ACCI, CSO Community	
Urgent 	Moderately Urgent 	Not Urgent 		



## 7.1 VISION STATEMENT FOR CSR IN AFGHANISTAN

We suggest the following Vision Statement for CSR in Afghanistan: “To create a regulatory environment and enable demand-side pressures in Afghanistan that encourage, entice and compel corporations to behave ethically and responsibly towards their employees, the general public, the communities they benefit from, their country and the environment as a whole”.

## 7.2 AWARENESS CREATION FOR CSR

It is the responsibility of the civil society in Afghanistan to develop a comprehensive nationwide advocacy and awareness creation strategy, and to fund and implement it to achieve the following key objectives:

1. To create demand-side pressures that firmly place irresponsible corporations and government agencies in a negative bracket and cause an immediate response from corporations and government regulators for effective steps to enhance CSR. Creating these pressures can be achieved by a concerted mass media campaign to highlight every aspect of corporate responsibility and create the desired level of awareness among all segments of the society.
2. To actively lobby with government agencies to create the right infrastructure for the evolution of laws, rules and regulations that entice and even compel corporations to realize and meet the full scope of their social responsibility.
3. Create organizations, institutions and alternative channels to identify best practices, encourage and reward responsible corporations and censure corporations that do not behave in a socially responsible manner. Such efforts may include the creation of a Corporate Social Responsibility Index (CSRI) that sets apart corporations that behave responsibly

towards their employees, their customers, their communities, their governments, the environment and the world as a whole.

The objective of these activities will be to create an environment that enables the general public to demand socially responsible behavior from corporations, for corporations to respect the wishes and demands of the general population and the government to ensure that CSR-related activities are adequately regulated and that such regulations are properly enforced on corporations.

## 7.3 CREATING A LEGAL AND REGULATORY ENVIRONMENT FOR CSR

The government has a responsibility to ensure that adequate laws, rules and regulations are in place to ensure that corporations behave in a socially responsible manner. Appropriate measures include the following:

- a. Amending corporate laws to include references to the social responsibility of corporations. Corporate governance systems should be mandated that facilitate the implementation of CSR. Such governance systems should include mandates for boards of directors, human resource departments, operations, marketing and other related divisions of corporations to offer an enabling environment for CSR. Financial reporting should be ethical and transparent and should take the concerns of shareholders and government into full consideration. Systems should be in place that cater to the social responsibility of the corporation and ensure their full implementation as part of the daily operations of the corporation. The ethical system of governance also should fully take into consideration the legal obligations of the corporation to abide by laws, pay taxes, take care of the employees, treat employees with respect and dignity,

and ensure that no harm is caused to the environment due to corporate operations, while ensuring that the business is profitable and prospering.

- b. Amending tax laws to include incentives for corporations to engage in CSR activities. Such incentives may include tax rebates, tax deductions or the expensing of CSR-related costs. Tax law changes may also include imposition of a CSR tax, similar to the Indian CSR model.
- c. Amending labor and related laws to incorporate clear requirements for worker rights, payment of living wages, workplace safety rules and other requirements which must be enforceable by functioning regulatory agencies such as the equivalent of the United States Occupational Safety and Health Administration and include workable penalties for violators.
- d. Amending environmental laws to enhance existing protection mechanisms for water, air, soil, flora and fauna, wildlife and related environmental components. NEPA should be converted into a regulatory entity with the authority to regulate environmental affairs and impose fines and other punitive measures that facilitate enforcement of the laws.
- e. Amending the National Procurement Law to incorporate clear and concise responsibilities for all government contractors to behave ethically towards their employees, the environment, the communities that they work in, and the social impact that they may have. The government should develop a system to ensure that the contractual obligations of the contractors are properly and systematically enforced and that there is zero room for tolerance during such enforcement.

The government must adjust and revise other relevant laws to enable the creation of a regulatory and legal obligation for corporations to be proactively engaged in social responsibility, not by choice but out of legal and regulatory

necessity.

## 7.4 ENABLING ENVIRONMENTAL FOR CORPORATIONS

There are three critical paths to enabling corporations to engage in CSR or to enhance such operations:

- Offering incentives to start or increase CSR
- Creating rules, regulations and disincentives for corporations that are not socially responsible.
- Making CSR a legal obligation and rigorously enforcing such obligation.

The first path is achieved by creating financial incentives such as tax breaks, rebates and deductibles and allowing corporations to expense CSR-related activities. Such measures will reduce the burden of CSR costs on corporations and encourage them to spend more on all types of activities, internally as well as externally, to meet and exceed their social responsibility.

The second path of creating rules and regulations that increase the cost of not engaging in socially responsible activities will encourage corporations to avoid fees, penalties and levies charged to corporations when they fail to respect labor laws, environmental laws, workplace safety, health and equity laws, social cohesion laws, contract laws, corporate laws and other related laws, rules and regulations. Thus, corporation will find it more feasible to adhere to these laws, and thus save costs for their shareholders, rather than to break the laws.

The combination of paths one and two will ensure a maximum voluntary engagement by corporations, which is typically done in most developed countries.

The third path is the one taken by India, which imposed CSR expenditures as a percentage of

profits before taxes and some other conditions. An elaborate set of laws, rules and regulations that support this legally binding CSR law enable its adequate enforcement, which should be coupled with fines against those that do not engage in the level of CSR expenditure that has been legally mandated. For developing countries, such fines may be the path of least resistance, because they can be seen as an additional tax and thus adjusted to relatively easily.

The three paths can be further supported and enhanced by CSOs which may undertake activities that will make it easier for corporations to identify takers or venues for taking donations and contributions by the corporate world.

## 7.5 CREATING A CORPORATE SOCIAL RESPONSIBILITY INDEX.

CSR has many components that jointly create the CSR programs that corporations today strive for. One component of a CSR program is to create a sustainable workplace, which includes a healthy, safe and rewarding job, that ensures gender equity, equality in pay, prevention of racial and sexual harassment and offering benefits such as employee health insurance, education reimbursement, etc. Another component is to minimize the company's environmental footprint by using technology and approaches that reduce air, soil and water pollution; that protect wildlife, flora and fauna; and that create an environmentally forward-looking and responsible approach to doing business. Yet another component of CSR engagement of corporations is ethical work practices such as avoiding bribery, negative influencing and other unethical practices. Corporations can also demonstrate social responsibility by supporting the poor and disadvantaged members of the society through charitable giving that make peoples' lives easier and supports them in their hour of need. Corporations can also engage in community

development, where the beneficiaries are communities as a whole, such as support for the education sector, for healthcare, for water and sanitation, employment creation, efficient exchange of goods and services, awareness creation and other general social enhancement. The combination of all of these efforts constitutes a comprehensive CSR program and must be targeted by everyone involved in this sector.

We urge the design and implementation of a Corporate Social Responsibility Index (CSRI), which rates corporations based on their level of social engagement and responsibility. Corporations can be certified, rated and recognized for their engagement with a positive competition to be higher and better rated than the next corporation. Corporations can then use this rating to support their marketing campaigns and enhance their customer base and loyalty.

## 7.6 ENABLING ENVIRONMENTAL FOR CSOS AND COMMUNITY ACTIVISTS

CSOs and community activists have five significant tasks to undertake in support of greater CSR engagement by private and public corporations.

1. Create awareness among the general public, government officials and corporations as to the importance and ethical foundation of greater CSR within Afghanistan. These actors can create this awareness through mass media campaigns; through education at schools, universities and other academic institutions; and through organizing workshops, roundtable discussions and seminars on the importance of CSR in Afghanistan. They can use a combination of positive reinforcement and critical analysis to encourage further understanding of what can be and what should be done by corporations to meet

their social responsibility. They can achieve positive reinforcement by highlighting good examples of CSR within Afghanistan, in the region as well as globally. They can highlight the conditions before and after direct engagement of corporations in CSR for their workers and the workplace, for the communities where they engage, for the countries of their operations and globally.

2. Lobby lawmakers and government agencies to pass laws, rules and regulations and to enforce the same across the board and on all violators of the laws. Such laws, rules and regulations should cover every area of the society and offer incentives for engagement in CSR as well as disincentives for those that ignore their social responsibility. We have highlighted these legal and regulatory changes in Chapter 4.8.3 above.
3. Create a system for enhancing the credibility of CSOs as viable and feasible organizations that corporations can effectively support within their CSR initiatives and budgets. This system relies on CSO certification body, with AICS and CSOs as organizations with strengths and capabilities in fiscal and operational management in a series of sectors in specified regions and locations with specific target communities. For example, organization “X” has the right set of governance systems, financial management and control mechanisms and operational capabilities to serve women and children in the areas of income generation in the provinces of Kabul, Herat and Farah.
4. Create a system to evaluate certified CSOs’ projects for feasibility, desirability, effectiveness and cost efficiency. This system enables CSOs to submit their projects for review to a team that will then verify the various aspects of the project and rate them based on a series of criteria for feasibility, viability, desirability, effectiveness and cost efficiency. The

team then displays the rated projects and offers them to corporations for support or adoption as part of their CSR initiatives.

5. Create organizations or divisions of existing organizations that help corporations to develop comprehensive CSR programs that include internal as well as external initiatives and undertakings. Such organizations can help corporations change their governance systems, their employee relations, their environmental footprints, their adherence to laws, rules and regulations as well as their philanthropic and charitable activities that enables them to give back to their communities.

The combination of the five enabling activities will ensure a functioning and feasible CSR engagement in the country.

Enabling the CSO work to create such infrastructure requires that donors, government agencies and corporations that already are engaged in promotion of CSR support, fund and encourage CSOs to push forward this significant agenda and ensure its realization.

## 7.7 ENABLING THE ENVIRONMENT FOR GOVERNMENT AGENCIES

Government agencies have a responsibility to create the enabling environment for corporations to engage in a socially responsible manner. However, the government also needs an enabling environment to create the necessary legal, regulatory and political environment that supports greater and more systemic engagement in CSR. The enabling of these changes is primarily the responsibility of CSOs and their donors, as well as those media outlets that support greater CSR engagement. This group will help to further empower and embolden such government officials that have the vision for a greater social responsibility push by corporations. Their initiatives can be strengthened, and their moves can be sharpened to eventually create the desired

legal, regulatory and political environment. Items 1) and 2) in Chapter 4.8.5 above are critical activities that can achieve the creation of the enabling environment for government.



# 08

## OPERATIONALIZING RECOMMENDATIONS

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## OPERATIONALIZING KEY RECOMMENDATIONS

#	Objective	Activity	Responsibility
1	Identify a driver for CSR	Organize meeting of CSOs to appoint main Secretariat for CSR campaign. AICS is a potential CSR Secretariat	AICS CSR Secretariat
2	Identify strategic objective of CSR	Create a taskforce within CSO community to manage CSR campaign .Review the strategic paths for CSR campaign, e.g. voluntary, semi-voluntary, or mandated and select a path to pursue	CSR Secretariat CSR Secretariat
3	Awareness creation campaign	Design a strategy for CSR campaign Raise funds to finance CSR campaign Launch CSR campaign	CSR Secretariat CSR Secretariat CSR Secretariat
4	Political advocacy campaign	Develop a strategy for political advocacy to include: <ul style="list-style-type: none"> <li>- Holding regular meetings with government officials</li> <li>- Holding TV/radio discussions, roundtables, interviews</li> <li>- Organizing workshops and seminars</li> <li>- Helping in drafting laws, rules and regulations</li> </ul> Budget and fund the political advocacy work Launch political advocacy campaign	CSR Secretariat CSR Secretariat CSR Secretariat
5	Certification of CSOs	Already underway Develop CSO certification model and approach to include: <ul style="list-style-type: none"> <li>- Evaluating projects for technical and financial viability</li> <li>- Evaluating community support and need for the project as well as coordination with other projects</li> <li>- Verifying CSO's technical and management skills to do the project</li> <li>- Evaluating project narrative and justification as well as documents</li> </ul> Raise funds to kickstart the approach, include a fee-for-service component .Create a web portal to market projects	AICS AICS AICS
6	Certification of CSO projects	Market the certification to CSOs, corporations and donors Identify key components of a CSR Index to include workplace factors, environmental impact, ethical work practices, charitable giving, community development and others. .Develop a strategy on how to finance and market the CSRI Launch the initiative	AICS CSR Secretariat CSR Secretariat CSR Secretariat
7	Create a Corporate Social Responsibility Index (CSRI)	Develop strategy on how to support corporations to launch CSR initiatives Identify potential entities/organizations that have already done this work in the region or globally, e.g. CSR Central Asia ( <a href="http://www.csr-ca.com">www.csr-ca.com</a> ), Business for Social Responsibility ( <a href="http://www.bsr.org">www.bsr.org</a> ). Raise funds for setting up the CSR launchpad for Afghanistan Establish a presence for the CSR launchpad in Afghanistan and start operations	CSR Secretariat CSR Secretariat CSR Secretariat CSR Secretariat
8	Create a launchpad for CSR		CSR Secretariat CSR Secretariat

Table 6 - Summary of Key Recommendations (similar to Table 1)

## 8.1 OVERVIEW

We do not expect that either the government or the corporate sector will take the lead in setting up a formal CSR program for Afghanistan. Because of the social responsibility and social service objective of the civil society, it is the responsibility of CSOs to take on this enormous task of leading the way in CSR formalization in Afghanistan. The Afghan Institute for Civil Society (AICS) has taken the initiative in this area for some time now. It has already initiated an CSO accreditation/ certification program; it has developed the core competency to engage CSOs in issues of capacity development and enhanced credibility, and it has already taken the lead in assessing the state of CSR in Afghanistan. Therefore, AICS is best positioned to take the lead in driving the push for formalizing CSR in Afghanistan. To undertake this gigantic task, AICS needs to secure donor support, raise funds, and launch a significant undertaking, which includes all of the following:

## 8.2 IDENTIFY THE STRATEGIC OBJECTIVE OF THE CSR DRIVE

This assessment offers a series of recommendations and paths to create the legal and regulatory environment conducive for effective CSR in Afghanistan. They include a purely voluntary path, which is currently underway in Afghanistan; a semi-regulatory compliance path, which is the case in much of the developed world; and a full-fledged regulated CSR environment, which is the case in India. Each path has merits and demerits. It is critical that AICS seek to build consensus on one path to drive the CSR campaign in the country. To specify the strategic direction and the desirable path, AICS will need to initiate a discussion within the CSO community and reach conclusions on one path or a combination of paths to be taken to institutionalize CSR in Afghanistan. AICS will then push strategically the selected path over the coming years with concerted awareness creation, political lobbying and related business campaigns.

## 8.3 AWARENESS CREATION CAMPAIGN

AICS will need to team up with a marketing firm to develop a comprehensive marketing campaign that includes a combination of media campaigns, such as radio, TV, social media, etc., and a billboard campaign in all major cities of the country. The audience should be both the corporations as well as the general public. The theme of the campaign will be to highlight the positive contributions of corporations towards the economic development of the country and their existing and expected social, environmental, humanitarian and developmental contributions. Also, AICS should highlight the role of a positive partnership between the corporate and CSO worlds in these campaigns.

The media campaign should also be supplemented with roundtable discussions, workshops, seminars and conferences that discuss CSR and create literature and case studies for measuring the impact of CSR as well as enhancing the effectiveness of its initiatives.

## 8.4 CREATING THE CORPORATE SOCIAL RESPONSIBILITY INDEX

AICS can develop a Corporate Social Responsibility Index (CSRI), which includes ratings based on the following critical factors of social engagement by corporations:

1. **Workplace Factors:** Maintaining a healthy, safe and rewarding workplace. Such a workplace includes gender equity, equality in pay, prevention of racial and sexual harassment, and offering benefits such as employee health insurance, education reimbursement, etc.
2. **Environmental Impact:** Maintaining a minimum environmental footprint by using technology and approaches that reduce air, soil and water pollution; protecting wildlife, flora and fauna; and creating an

environmentally forward- looking and responsible approach to doing business.

3. Ethics: Engaging in ethical work practices such as avoiding bribery, negative influencing and other unethical practices.
4. Charitable Giving: Supporting the poor and disadvantaged members of the society through charitable giving that make peoples' lives easier and support them in their hour of need.
5. Community Development: Supporting communities as a whole, such as support for the education sector, for healthcare, for water and sanitation, employment creation, efficient exchange of goods and services, awareness creation and other general social enhancement.

The Index will ensure that corporations have systems to cater to every factor and that describe them at different levels of engagement within each of these factors. Corporations will be required to pay for receiving a CSRI rating and will be able to use the rating for marketing purposes. AICS will likely need to partner with the International Standards Organization and other international bodies to properly manage the index and ensure its sustained credibility.

## 8.5 POLITICAL ADVOCACY CAMPAIGN

Utilizing its network of CSOs, AICS should develop a strategy for political advocacy/ lobbying in favor of developing regulatory structures for CSR in Afghanistan. The teams in charge of political advocacy should organize a consistent and persistent set of activities that aim at capitalizing on the media campaigns to shift the political will in the direction of a structured CSR as had been defined under Section 8.1 above. This campaign should include:

- a. Holding regular meetings with law makers, government officials and political parties to push for political action in favor of a structured CSR.
- b. Holding TV/Radio discussions, roundtables and interviews on the importance of creating the regulatory structure for CSR in the country.
- c. Organizing workshops and seminars in support of a structured CSR.
- d. Supporting political action by drafting laws, rules and regulations for CSR in the country and then pushing for passing of the laws and regulations as desired.
- e. Creating momentum in favor of a structured CSR through the regulatory environment and maintaining the pressure until final achievement of the set objectives.

This undertaking should be adequately funded and supported; mechanisms for its funding should be identified that are in compliance with the laws of the land and the concerns of the donors. Where donors are constrained for getting engaged in such political advocacy, alternative alliances with the private sector, foundations and other CSOs should be created to enable achievement of the set objectives.

## 8.6 CERTIFICATION OF CSOS

AICS is already engaged in the certification of CSOs. It should push this effort to reach sustainable fruition.

## 8.7 VERIFICATION OF CSO PROJECTS

AICS should create a division that is tasked to verify, validate and "certify" projects by CSOs in all parts of the country.

The division should offer its opinion on the quality and worthiness of the CSO projects. It should pre-screen projects and then recommend them for funding. The screening of project should include the following main evaluation criteria:

- Evaluate all listed projects for
  - Technical viability
  - ▶▶ Financial viability
  - ▶▶ Community support
- Verify that the project meets a clear need in the target area and that the need is clearly defined
- Determine whether
  - ▶▶ Other CSOs are offering the same/ similar services. If yes, how well is the project coordinated with other players?
  - ▶▶ The project is within the field of expertise of the CSO.
  - ▶▶ The project budget is properly laid out, suitably/ reasonably priced and within the normal requirement of donor agencies.
  - ▶▶ The CSO has the technical and operational capabilities (onsite presence, technical staff, etc.) to effectively implement the project.
  - ▶▶ The project is adequately justified to be convincing to the donors.
- Other factors of relevance to the specific nature of the project.

A project that is approved and featured for funding has to meet these qualifications and more. To carry out this due diligence, the CSO will need to pay a fee to AICS, which will be used to cover the cost of the project review.

AICS should market featured projects through its website/portal and beyond to the website to donors and corporations from every sector to secure funding.

This portal will enable corporations to identify viable projects in every sector and throughout the country to ensure that their CSR budgets are effectively spent/utilized.

## 8.8 LAUNCHPAD FOR CSR PROGRAMS

AICS can establish an entity that will serve as a launch pad for CSR initiatives by corporations. Any corporation that wishes to start a comprehensive CSR program can hire AICS to develop such strategy for their CSR and then help them to launch the strategy. The corporations will pay AICS a fee for its services, which will help AICS to support its other CSR-related initiatives, including marketing campaign, advocacy, etc.

“CSR Central Asia” is a comparable company that offers similar services in the Central Asian region. Their website describes them as “an expert organization in the area of corporate sustainability and responsibility in Central Asia, whose goal is to improve the social, environmental, and economic performance of organizations.” They “help organizations build responsible policies and activities in such a way that they can ensure economic growth of their businesses while preserving the ecological stability and social development” in the region. Developing a similar charger could be an ideal task to be undertaken by AICS or an alternative organization. AICS may also choose to invite CSR Central Asia to either team up with it or to set up its own presence in Afghanistan to replicate their work in this country. Under any circumstance, corporations in Afghanistan require the assistance of a professional organization that fully understands CSR, is able to define the extent to which CSR can make a difference in people’s lives and is able to structure the corporate CSR program to make it most effective and operationally sustainable.



# 09

## CONCLUSION

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## CONCLUSION

Corporate Social Responsibility is a necessary path that Afghanistan must take to ensure long-term sustainability of the development initiatives that have started a decade and a half ago. Over the past decade, Afghanistan's private sector has reached sufficient levels of maturity to be able to venture into a more structured and sustainable effort to enable corporations to meet their religious, ethical and legal obligations to mitigate the harm they cause to the environment, the society and the economy of the country. It is also an opportunity for corporations to give back to the society some of what they have taken and to ensure that their contribution to the society is multi-faceted and comprehensive. Such a program is their opportunity to structure their humanitarian, development and philanthropic work and maximize their effectiveness

CSR is also a "must-have" tool to ensure sustainable development of Afghanistan even in the absence of international donor support. It enables Afghans to choose what they want to do to develop their country and not always be subject to the preferences of international donors.

As a Muslim-majority country, Afghans need to be in the driving seat in identifying, realizing and contributing to their religious and cultural obligations, not just as individuals, but also as corporations, politicians, the civil society and every other sector within the country.

This study of the state of CSR has aimed at describing the path that corporations have taken in the developed world, in the developing world, in the neighborhood of Afghanistan and within Afghanistan to get to where they currently find themselves. The recommendations and operationalization paths described in this report are what can take Afghanistan to the next level.

It is human nature to dream, so let's dream about a day, not far from today, when there are regulations that govern CSR in Afghanistan and where corporations feel responsible, want to be responsible and behave responsibly towards their employees, their customers, the communities where they operate and their society at large. Whether this dream remains a dream or is realized is solely dependent on God's grace and the reader's efforts.



## APPENDIX I - ABBREVIATIONS:

AFN	Afghani – Local Afghan Currency
AICS	Afghan Institute for Civil Society
AMOA	Association Mobile Money Operators in Afghanistan
ANDS	Afghan National Development Strategy
ARCS	Afghan Red Crescent Society
AWCC	Afghan Wireless Communications Company
BSR	Business Social Responsibility
CED	Committee for Economic Development
CSO	Civil Society Organization
CSR	Corporate Social Responsibility
CSRI	Corporate Social Responsibility Index
GAAP	Generally Accepted Accounting Procedures
GASP	Generally Accepted Sustainability Practices
IACS	International Association of Classification Societies
INGO	International NGO
ISO	International Standards Organization
IWA	Integrity Watch Afghanistan
MNC	Multi-National Corporations
MTN	MTN Group (a South African Telecommunications Company)
NEPA	National Environmental Protection Agency
NGO	Non-Governmental NGOs
OECD	Organization for Economic Cooperation and Development
OSHA	Occupational Safety and Health Administration
PBT	Profit Before Taxes
SME	Small and Medium Sized Enterprises
TBL	Triple-Bottom-Line Approach
UNESCO	United Nations Education, Scientific and Cultural Organization
WASH	Water Sanitation Hygiene
WHO	World Health Organization

## APPENDIX II – LIST OF CORPORATE CSR INITIATIVES

**Company:** Afghanistan Beverage Industries  
**CSR Start Year:** 2006  
**CSR Spending:** AFN 5-10 million (2018)  
**CSR Projects/Recipients:** ARCS and municipality through import duties

**Company:** Azizi Bank  
**CSR Start Year:** 2016  
**CSR Spending:** Not provided  
**CSR Projects/Recipients:** 2018 activities:

- Blood Donation Campaign
- Trees Plantation, Mazar-e-Sharif, Kabul and Jalalabad
- Kardan University Student's Study Tour to Azizi Bank
- Financial support for the Empowerment & Capacity Building of Women
- Assistance to Mazar IDPs
- Celebrating International Yoga Day

Study tours by students from Kateb University, Mashaal University, Bakhtar University, Maryam University, and Khatam Al Nabieen University

**Company:** Insurance Corporation of Afghanistan (ICA)  
**CSR Start Year:** Not provided  
**CSR Spending:** Not provided  
**CSR Projects/Recipients:** Free medical insurance to all personnel in addition to other contributions

**Company:** Kabul Package Factory  
**CSR Start Year:** Not provided  
**CSR Spending:** Not provided  
**CSR Projects/Recipients:** Not provided

**Company:** Maihan Steel Company  
**CSR Start Year:** Not provided  
**CSR Spending:** Not provided  
**CSR Projects/Recipients:**

- Offers housing for workers including medical facility, worker safety, lunch areas, etc.
- All equipment and machinery are

environmentally sound

- Air purification and exhaust systems are installed

**Company:** Microfinance Investment Support Facility for Afghanistan (MISFA)  
**CSR Start Year:** 2005  
**CSR Spending:** Not provided  
**CSR Projects/Recipients:** A clear guideline for CSR has been developed and a coordinating agency is set up to effectively utilize CSR resources

**Company:** Moby Group

- CSR Start Year: 2012
- CSR Spending: Not provided

**CSR Projects/Recipients:** Received AFC award for CSR for football through Afghan Premier League.

- Received Peace through Sport Award from European NGO.
- Worked with UNICEF on prevention of Polio (provided discounted advertisement time)
- Created the Afghan Premier League.
- Produced short (30-60 second) clips on social issues and publicized them on TV channels.
- Supported environmental issues such as use of paper bags instead of plastic bags.
- Developed short clips and advertisement for free, encouraging the population to pay their taxes, water conservation, helping security forces, discouraging women abuse, obeying traffic rules, encouraging social cohesiveness, collecting waste, etc.
- Collected donations through Iftar programs in Ramadan, broadcasting Islamic issues including Hadith etc. in support of social issues (e.g. last year AFN 400,000 was raised for returnees in western Afghanistan)

**Company:** Serena Hotel  
**CSR Start Year:** 2012  
**CSR Spending:** Not provided  
**CSR Projects/Recipients:**

- Support for the SHAMSA Foundation run by Mariam Gilani (providing stationery, clothes, medical services, internet services,

food etc., training for foundation, meeting other requirements)

- Donation Box at Serena Hotel (collecting donations from guests and giving to Shamsa and AFSECO, providing legitimacy to AFSECO through donation collection, inviting companies to support AFSECO)
- Voluntary works such as cleaning of the surrounding areas to the Serena Hotel and supporting the municipality
- In-house doctor to support the staff and the foundation.
- Sponsorship of sports activities, mainly cricket and football, and offering high discounts for their events at Serena Hotel.

**Company:** Zahir Plastics

**CSR Start Year:** 2012

**CSR Spending:** Not provided

**CSR Projects/Recipients:**

- Support 12 students for their education costs (every year since 2008)
- Buy AFN 25,000 worth of books for students
- Pay around AFN 500,000 every year
- Support around 20 families with AFN 2500/month
- Provide partial wedding expenses of a groom every year
- Provide medical expenses for all workers and their close family members
- Provide up to AFN 200,000 as bonus per year for workers on death, marriage and other special circumstances
- Train and provide internships for poor family youth.

**Company:** Gulbahar Group

**CSR Start Year:** Not provided

**CSR Spending:** Owner's Zakat money

**CSR Projects/Recipients:** Gulbahar Charitable Foundation provides all types of support such as clothes, earthquake relief, building schools, distributing Zakat and other donations.

**Company:** Ghazanfar Group

**CSR Start Year:** Not provided

**CSR Spending:** Not provided

**CSR Projects/Recipients:**

- Environmental – Responsible Development Social – % donated (Zakat and other charitable relief) – Hire Afghans and Afghani companies when possible Financial – Economic Prosperity – Make money and accelerate its velocity
- Focus on health, education, culture, rural development, institution building and the promotion of economic development. It is dedicated to improving living conditions and opportunities for the less fortunate, without regard to their faith, origin or gender. The Ghazanfar Foundation works in the following major areas: Education Health Care Employment Housing Community Development & Rehabilitation
- Capacity Building Program: Educational Scholarships Training Programs Enhancing the abilities and Skills of Afghan Citizens, Internships Afghan Citizen First Economic Development Job creation, Economic Prosperity through Sustainable Development.

**Company:** Azizi Foundation (affiliate of Hotak Azizi Group)

**CSR Start Year:** Not provided

**CSR Spending:** Not provided

**CSR Projects/Recipients:** AF has objective to help poor and disabled and martyred families, widows, orphans' almshouse, prisons and correction houses.

- Taking part in building schools, health clinics and digging wells to provide hygienic drinking water.
- Cleaning canals, streams and building macro hydroelectric dams.
- Helping students in providing desks, chairs, uniforms and stationery.
- Taking part in building, reconstruction and repairing mosques, religious madrasas, helping religious scholars, school teachers and establishing libraries.
- Sharing in building and reconstruction of bridges, culverts and roads to remove the inhabitants' problems.

- Helping promptly in the event of an outbreak of natural catastrophes like earthquakes, floods and cooperation in preserving the environment.
- Contributing dynamically in social, cultural and economic development of Afghanistan by providing the ground for learning and conducting a campaign against illiteracy and poverty throughout the country.
- Drawing attention to support of women's rights and paving the ground for native ceremonial and etiquette of the country for active and instructive sharing in social and cultural affairs.

**Company:** Barakat Group

**CSR Start Year:** Not provided

**CSR Spending:** Not provided

**CSR Projects/Recipients:** By early 2007, Barakat Company had devoted more than USD 600,000 to construct a primary school with 16 classrooms and modern facilities for the education of girls. The school is one of the very few schools in Afghanistan equipped with computers, laboratory room, conference hall, and air conditioning/heating system. High voltage generator is being used to maintain regular power supply.

**Company:** Afghanistan Holding Group

**CSR Start Year:** 2014

**CSR Spending:** 2018: \$154,166 (8.74%), 2017: 147,152 (5.76%), 2016: 106.232 (3.40%)

**CSR Projects/Recipients:** Not provided

**Company:** Roshan Telecommunications Company

**CSR Start Year:** Not provided

**CSR Spending:** Not provided

**CSR Projects/Recipients:**

Recognitions received include

- Social contribution award, Asia communications awards, July 2014
- Most innovative company of the year in the Middle East and Africa, CSR program of the year in the Middle East and Africa and customer service department of the

year, Stevie international business awards, November 2013

- Sustainability commercialized, ethical corporation's responsible business awards, August 2013
- CSR program of the year in the Middle East and Africa, Stevie awards October 2012
- Best community development project, telecom world Asia, April 2011
- Best corporate social responsibility contribution, telecom world awards Middle East awards, November 2008.

### **Health:**

We piloted a telemedicine project in conjunction with the French medical institute for children (FMIC), the Aga Khan University Hospital (AKUH) in Karachi, Bamyan provincial hospital (bhp), and Cisco Systems.

### **Aschiana:**

The problem: In Afghanistan, malnutrition is a common problem, especially among children in returnee camps and street-working children.

Our solution: we provide over 40,000 meals packs each month, and support street-working children by reintegrating them into the formal school system and offering vocational training. Our partners: we work with various Aschiana centers and emergency shelters for IDPs.

### **Roshan clinic**

The problem: limited access to cheap and quality healthcare services

Our solution: through Roshan community's inaugural project, fees for expatriate patients are used to subsidize costs for Afghan nationals. Paving the way for other companies, Roshan was the first company in Afghanistan to provide its employees private medical insurance. The Roshan clinic has also hosted a variety of health and dental workshops over the past decade to support improved quality of life and care for Afghans.

Our partners: Aschiana, Afghanistan Demain &

Afrane. Dental and health workshops: hosting topics, including education on clean water, diarrhea, and tuberculosis were developed by MSH/REACH/USAID. Afghan medical health insurance: lifecare international.

### **Telemedicine**

The problem: limited access to affordable, quality healthcare services in remote and rural areas.

Our solution: the telemedicine project connects hospitals with Roshan's broadband technology to facilitate the rapid delivery of medical solutions. Through video conferencing, specialists are able to diagnose and treat illnesses in rural areas of Afghanistan and provide training sessions for the new generation of Afghan doctors. The goal of this service is to provide remote tele-radiology, e-learning, hospital management, nursing education and specialized clinics. This technology enables specialists to diagnose illnesses, provide proper treatments, medical education to doctors while they work, and access to health services for patients in villages. Also, this technology reduces the cost of travel for patients, employees and health workers. Currently, a network of medical centers in Kabul, Bamiyan and Badakhshan are connected to each other as well as to the Aga Khan University Hospital in Karachi.

Our partners: government of Afghanistan, the Aga Khan University Hospital (AKUH) in Karachi, Aga Khan Health Services, the French Medical Institute for Children (FMIC) in Kabul, FMIC, CISCO, Bamiyan Hospital, Faizabad Hospital, CISCO Systems and other telecoms suppliers.

### **Water wells**

The problem: lack of clean and healthy drinking water in Afghanistan.

Our solution: we started with the creation of two water wells in 2006, which currently support 1000 families living on the outskirts of Kabul. To date, we have built 70 wells that provide clean water to over 100,000 people. Roshan's innovative technology feature (health): Watertracker

The problem: lack of clean and safe water in Afghanistan.

Our solution: using an Interactive Voice Recording (IVR) solution, we created the Watertracker phone service, which allows illiterate Afghans to call in from rural areas and check the status of their local well or report a fault. Between 2010 & 2011, 1000 well communities were trained in using Watertracker. As a result of the service, nearly 30 wells have been restored. Our partner: USAID

### **Education**

In addition to building schools and playgrounds, we support educational programs that harness the power of technology, including the one-laptop-per-child program and Roshan/CISCO networking academies.

### **Playgrounds:**

The problem: Afghanistan, a country that has been suffering from war and social problems for decades, has a limited social space where it can support the community and provide a platform for children's development.

Our solution: recognizing the importance of playing in the growth of self-confidence and social skills in children, Roshan creates playgrounds in strategic areas, which can be used as a venue for the gathering of different ethnicities in Afghanistan as well. These playgrounds eliminate social barriers and provide a safe environment for children to play and grow together.

### **School construction**

The problem: when we first started operations in Afghanistan, we visited a school with seven dilapidated blocks and one purpose-built block. Many of the 7,000 school students were studying in shifts in tents.

Our solution: the Roshan community has invested in the construction of a large modernization that has 24 classrooms and a playground equipped with. Till now, we have invested in many schools.

Our partners: AKF, etc.



## **OLPC:**

The problem: Afghan children are deprived of the resources and tools they need to compete in the global economy

Our Solution: OLPC is designed to improve the level of learning by presenting two-way versions of curriculum content and providing guidance and suggestions to schoolchildren. More than 3,600 children and teachers have benefited from this project in the provinces of Baghlan, Herat, Kabul, Jalalabad and Kandahar. Our partners: OLPC, the ministry of education, the ministry of communication and information technology (MOCIT), and USAID's Afghanistan Small-and-Medium Enterprise Development (ASMED).

## **Commerce**

We support women in setting up their own sustainable businesses and foster an entrepreneurial spirit among Afghans.

Alternative livelihoods program

The problem: due to decades of conflict, women are vulnerable, especially in rural areas, where opportunities to generate income are limited.

Our solution: in 2009, the Roshan community started supporting CARE's Humanitarian Assistance for Women of Afghanistan (HAWA) project. The project provides livestock for vulnerable women to earn a living through them.

Our partners: CARE

## **WPCOS**

The problem: due to decades of conflict, women are vulnerable and have limited opportunities to generate an income.

Our solution: Roshan launched a telephone booth project for women, through which women will be provided with the opportunity to start a business. Through this project, Afghan aid will nominate women to the first microfinance lending bank in Afghanistan (FMFB-A) so that women can get loans and start a business. For each WPCO operator, a

discount package will be provided. This package will include a mobile phone, SIM card, antenna, charger, 12500 contact units and an official Roshan PCO signboard. The WPCO operator will use a portion of the profit to pay back her microfinance loan and to buy more units of airtime. Each time an operator from the project purchases more airtime, she receives an additional 60% credit. This added discount is to ensure profitability and maximize the earning potential of the women. Although the operation of a WPCO does not in itself defeat poverty, it provides a stable and sustainable source of income, which enables women to climb steadily out of poverty and provide better living conditions for their families.

Our partners: AFGHANAID & USAID.

## **Shahrara Garden Sports Facility**

The problem: due to decades of conflict, women are vulnerable and lack safe spaces to meet in public.

Our solution: Roshan community built the Shahrara Garden, a women-only gym facility that supports community and capacity- building, by encouraging healthy and active lifestyles for women and girls.

Roshan's innovative technology feature (commerce): Malomat

Malomat is a national price information system providing farmers, traders and wholesalers with access to commodity information in 14 provincial markets. Using a mobile phone, farmers are able to access real-time market trends, either through short message service (SMS) or Interactive Voice Response (IVR) technology. The Malomat service is available to farmers in Dari, Pashto and English. IVR is a particularly important feature in Afghanistan, where 70% of the population is illiterate.

Our partners: Mercy Corps and USAID's idea-new project

The problem: in the autonomous province of Gorno-Badakhshan, Tajikistan.

Our solution: at a low proposed tariff rate, we supported the creation of a transmission

line from Khorog in Gbao to Bahshor village in Afghanistan, which now supplies electricity to 360 households, the local hospital, the government building and more, throughout the year.

Our partners: the Aga Khan Foundation for Economic Development and Pamirenergy. AKFED developed a pioneering subsidy scheme for Pamirenergy that ensures a minimum 'lifeline' monthly supply of power is provided to households at one of the lowest rates in the world among privately-owned utilities.

#### Social development

In partnership with domestic NGOs, we have provided more than four million food packs for Afghans and creative solutions for capacity building.

The problem: lack of educational material and shortage of trained teachers in rural areas to support children's intellectual, social and moral development.

Our solution: The Roshan community has acquired the rights to publish children's educational TV programs, which are currently being broadcasted internationally. These programs are dubbed in Dari and Pashto, which are made available through local TVs throughout Afghanistan.

#### Sports:

The problem: Afghanistan, a country that has suffered from war and social problems for decades, has few social spaces to support the community and provide a platform for young people to grow.

Our solution: Roshan is a proud title sponsor of the Roshan Afghan Premier League, which brings together millions of Afghans to cheer for national pride and unity, while bonding over football matches. RAPL's fourth season in 2015 was the most celebrated event to date, reaching over 10 million fans across the country. Since 2010, we have also partnered with the NGO Skateistan to promote skateboarding and self-expression throughout Afghanistan.

Youth, sports, and social development center:

The problem: a nation torn apart by decades of war and social tensions, Afghanistan suffers from a lack of social spaces that support community and foster youth development.

Our solution: The Roshan community built the indoor youth, sports, and social development center. With separate areas for boys and girls, the center provides a safe space for 800 children and teenagers in and around Kabul to exercise and socialize with extracurricular activities. It is also a space for games, presentations, and seminars for community and social development, so that they can exercise and participate in extracurricular activities.

#### D-light

The problem: after decades of war, Afghans lack the proper infrastructure to improve their earning potential and quality of life.

Our solution: Roshan has collaborated with D.Light to replace dangerous kerosene lamps in households with durable, solar-powered lanterns. The lanterns improve children's ability to study effectively at night, increase the income-generating potential of their families, and overcome the severe lack of infrastructure in the country.

Our partners: D-light

#### E-learning centers

The problem: Afghans are deprived of the resources and tools they need to compete in a technology-based global economy.

Our solution: the Roshan community uses containers equipped with durable solar panels to create online learning centers that have laptops and other communication equipment. These centers are held locally and by the people who were given this equipment to meet the needs of local areas. Users of these centers are able to get their hands-on technology, trade, and communicate with their family and friends from far away.

#### Roshan/Cisco Systems:

The problem: Afghans lack the tools and resources to compete in a tech-driven global



economy.

**Our solution:** in 2007, Roshan teamed up with partners to support an initiative aimed at preparing students for networking and it-related careers in the public and private sectors. Providing higher education tools in engineering, computer science, and other related fields, the initiative supports the education of 600 Afghan students across the country.

**Our partners:** UNDP and Cisco Systems  
Roshan's innovative technology feature (education): teacher consultation line  
In collaboration with partners, the Roshan community developed a distance, mobile-learning model, which allows greater access to quality secondary education for Afghan boys and girls. The educational content falls within the framework of the visions of the Ministry of Education.

**Our partners:** Saba Media TV, Cha, Butterfly-Oxfam Novib and Ministry of Education.

**Company:** MTN Afghanistan

**CSR Start Year:** Not provided

**CSR Spending:** Not provided

**CSR Projects/Recipients:** Sustainability forms the foundation of the MTN Group's investment philosophy. Actively embedding sustainability principles in the way we do business ultimately impacts on our people, our reputation and our profits. We want to be here, as successful as ever, in the future.

Therefore, we acknowledge that while we must make a profit, it is our responsibility to be a relevant contributor to the development and sustainability of the communities we touch and interact with.

**Company:** Afghan Wireless Communications Company (AWCC)

**CSR Start Year:** Not provided

**CSR Spending:** Not provided

**CSR Projects/Recipients:** The Bayat Foundation ([www.bayatfoundation.org](http://www.bayatfoundation.org)), Afghanistan's largest, private Health, Education and Social Development Organization, in partnership with Bright Future Afghanistan,

today announced the opening of the Cordaid Enterprise Academy. The Academy, a one-of-a-kind center for skills training and entrepreneurship, will provide business development, networking and training opportunities to young Afghan entrepreneurs.

Located in Kabul, the Cordaid Enterprise Academy began operations on February 18, 2019. The Academy's debut—and the importance of its mission—was celebrated with an opening-day dedication ceremony. Attendees at the dedication ceremony included Cordaid representatives **Jaap van Hierden** and **Mohammad Anwar Alvi**, **Mr. Sebghatullah Poya** of The Bayat Foundation, **Mr. Musharaf Shirzad** of the Hamika Baramaki Organization for the Rule of Law and **Mr. Maitullah Rahmati** of the 1% Club.

Following the welcoming ceremony, the Cordaid Enterprise Academy sponsored its first program, a networking event introducing young Afghan entrepreneurs to share potential strategic networks and opportunities.

"The Cordaid Enterprise Academy will play a vital role in our mission to support the establishment of Afghan owned small and medium sized companies—the types of businesses that are absolutely essential to Afghanistan's economic progress," said Dr. Ehsanollah Bayat, the Co-Founder and Chairman of The Bayat Foundation. "We are proud to be a founding member of Bright Future Afghanistan."

Bright Future Afghanistan, funded by the Dutch Ministry of Foreign Affairs, is being implemented by a consortium of four Afghan non-profit organizations: The Bayat Foundation, Cordaid ([www.cordaid.org](http://www.cordaid.org)), the 1% Club ([www.onepercentclub.com](http://www.onepercentclub.com)), and the Hamika Baramaki Organization for the Rule of Law ([www.hborl.org.af](http://www.hborl.org.af)). Bright Future is a five-year program designed to teach important

business skills to Afghan entrepreneurs and to create a thriving Afghan private sector of small- and medium-sized enterprises (SME's), capable of providing thousands of employment opportunities to Afghans—especially Afghan youth.

**About the Bayat Foundation:**

Since 2005, the US-based Bayat Foundation, a 501 (c) (3) charitable organization, has promoted the well-being of the Afghan people. Founded and directed by Ehsanollah Bayat and Fatema Bayat, the Foundation has contributed to more than 300 projects dedicated to improving the quality of life for the youth, women, poor, and elderly of Afghanistan; including construction of 13 maternity hospitals that have now treated over 2,000,000 mothers and babies.

Projects have included the construction of new facilities and sustainable infrastructure in needy regions, and the promotion of health, education, economic, and cultural programs. In addition to his charitable initiatives, Ehsanollah Bayat founded AWCC in 2002, which was the first GSM wireless and Internet Service Provider in Afghanistan, and later established Ariana Radio and Television Network (ATN), which includes Ariana Radio (FM 93.5). For more information, please email [info@bayatfoundation.org](mailto:info@bayatfoundation.org).

**Company:** Etisalat Telecommunications Company

**CSR Start Year:** Not provided

**CSR Spending:** Not provided

**CSR Projects/Recipients:** Etisalat Afghanistan (EA) is fully committed to this principle of CSR and intends to implant CSR, where appropriate, into its policies and practices, to benefit the staff, stakeholders and the wider Afghan community. Many key initiatives have already been carrying out under this umbrella, which lays down the outlines of the future CSR strategy within Etisalat Afghanistan.

EA aims to be renowned as an organization

that is transparent and ethical in all its dealings and making a positive contribution towards the local Afghan community. EA is committed towards the core values in all its business areas that include the fulfillment of its corporate social responsibility.

One of Etisalat's core values is service to the community, a commitment to give back to improve the lives of people and to protect the environment for future generations. We do so by supporting a wide array of social, economic, and environmental initiatives across the country.

Working closely with government, foundations and other companies, we support, sponsor and participate in events and programs that further the causes of education, social welfare, international relations and culture, both within Afghanistan and throughout our extended enterprise.

We firmly believe education makes a difference to people's lives; we provide financial assistance to literacy projects and educational institutions. We support the development of schools, colleges, and labs and encouraging talented people to pursue higher education in the field of their choice.

Within our own organization, we build products and services for those with special needs in the firm belief that all members of society deserve the same freedom of communication.

We will continue our commitment to corporate social responsibility, aiming always to bring change for the good and to build a better world in which we all may live.

**Awards and Appreciations:**

Etisalat was announced the winner of the "Achievement in Social Inclusion" 2012 award by the Connected World Forum at their annual international conference on mobile money. The event, held in Dubai, attended

by international leaders in the Banking and GSM Network industry, brought together the 2012 finalists which included: Etisalat, Citibank, Tata Teleservices, Telecommunications de Mexico and Unistream Commercial Bank.

EA earned a “best” award from the UAE embassy regarding their cooperation for the Afghan people in 2011.

EA got the support of the Afghanistan government for establishing the Quran competition in Afghanistan.

EA earned an appreciation letter from Hajj Awqaf Ministry of Afghanistan.

Key governors of Afghanistan thanked EA for supporting poor people in all regions of Afghanistan during the year 2011.

The UAE Office for the Coordination of Foreign Aid prints a book that includes a special page about EA which expresses our value and quality of assistance. The link is also available in our website.

Etisalat Afghanistan’s CEO, Mr. Ahmed Alhosani, received a special award from Shamshad TV in recognition of the incredible work done by Etisalat Afghanistan for its support of Islamic values and traditions in Afghanistan.

On June 21, 2011; Mrs. Amina Afzali, Minister for Labor & Social Affairs, Islamic Republic of Afghanistan, has appreciated the efforts and determination of Etisalat Afghanistan for investing and partnering in the development of human capital of the country.

EA got a certificate of the best humanitarian agency in 2010 from the UAE foreign ministry.

### **Community Development**

Etisalat Afghanistan had undertaken the following CSR initiatives:

### **Reconstruction of Masjids:**

One of the recent honorable initiatives undertaken by the EA is the reconstruction and renovation of mosques throughout the country. The renovated mosques will provide a comfortable praying facility for the local communities and facilitates the noble teachings of Islam. Being a United Arab Emirates company, the reconstruction of mosques and other projects is in line with the vision of our leadership in supporting the re-building of Afghanistan.

### **Annual Holy Quran Awards:**

Etisalat Afghanistan has been organizing the “Annual Quran Recitation Competition” for five consecutive years running in collaboration with the Ministry of Hajj & Awqaf and the Ministry of Media & Information of the Government of Afghanistan. The winner of Etisalat Afghanistan Holy Quran Awards is representing Afghanistan in the annual Holy Quran Awards held during Ramadan in Dubai, UAE.

For the 2013 event, Etisalat Afghanistan held the event starting 2 weeks before Ramadhan. Two hundred Qaries (reciters) participated from all provinces of Afghanistan. EA grants the prize for five winners with total value of USD 10,000. Winners are Qaries from Laghman, Nangarhar and Kabul.

### **Food Distribution \IfftarSaem activities:**

Every year during the holy month of Ramadan, Etisalat distributes thousands of food and ration bags to the poor and needy people across Afghanistan.

### **Hajj Events:**

Over the years, Etisalat has been providing basic necessities (a complete hajj kit) to Hajj pilgrims to make their travel comfortable. A free SIM card is also included in this package to enable them to keep in touch with their families back home.

## **Women Empowerment**

Women's Garden:

Women in Afghanistan have been a deprived segment. Etisalat Afghanistan, as part of its activities, strives to empower women by sponsoring an exclusive women's garden, where women can meet and share ideas for growth.

## **Women's Volleyball Team:**

Etisalat Afghanistan is the proud sponsor of the "Afghanistan National Women's Volleyball Team" by empowering them to participate in international tournaments.

## **Etisalat mHawala Women Agent:**

In cooperation with USAID-FAIDA, the Ministry of Woman Affairs and Mujtahid Microfinance, Etisalat Afghanistan is training women to make them capable to work as women agents for mHawala. At the end of training, the women will start their business, which will be facilitated by Etisalat Afghanistan through its distributor.

## **Sport Sponsorship**

**Afghanistan Cricket Board (ACB) Sponsorship:** Etisalat Afghanistan is committed to the development of the sport of cricket at the grass roots level since the inception of the Afghanistan Cricket Board in 2009. EA is the official sponsor of the Afghanistan Cricket Board (ACB) and the National Cricket Team.

Cricket in Afghanistan is considered as one of the most popular sports in part due to the recent brilliant performances of the National Cricket Team on the world stage. The ascent of the Afghanistan National Cricket team, as well as the rising popularity of the game in the country, is considered arguably one of the most scintillating stories in the history of sports. In spite of limited resources and the short history of cricket in the country compared to some of the biggest names internationally, the Afghanistan National Cricket team has been ranked among the top ten cricket-playing nations across the globe. The National Cricket

Team is the reigning holder of the ICC Inter Continental Trophy and has also gained the ICC One Day International Status (ODI) in 2013.

## **Afghanistan National Volleyball Federation sponsorship:**

Etisalat Afghanistan is also the official sponsor of the "National Volleyball Federation". EA believes that empowering the youth with sports is a platform to express their individuality in the country in a current state of flux; such empowerment is also a factor in diminishing anti-social activities.

## **Buzkashi ('goat grabbing') sponsorship:**

Etisalat Afghanistan is also the official sponsor of the National Game of "Buzkashi". The tournament is organized on the auspicious occasion of "Nauwroze"- New Year Celebrations - every year in the city of Mazar. People of Afghanistan are proud of their national heritage; such sponsorship creates an emotional connection with Etisalat.

## **Supporting Education**

**Graduate Trainee (GTs) Induction Program:** Etisalat Afghanistan stands committed to its long-standing resolution of partnering in the development and enhancement of human capital and skill levels of local Afghan employees, which is evident from the fact that 93 per cent of Etisalat Afghanistan staff is comprised of local Afghans.

We have already inducted 60 graduate trainees and have given extensive training and development both locally and overseas. Graduate trainees have been groomed to take on critical work functions and take on positions of responsibility with Etisalat.

**Building computer labs with Internet facilities:** As part of its ongoing support to education sector with emphasis to encourage primary education in Afghanistan, EA has recently launched a drive to construct the computer labs with internet facility in various schools and universities of Afghanistan.

### **Distribution of Schools Bags, Stationery Items and Gifts:**

A team from Etisalat Afghanistan recently has distributed more than 6,000 gifts and souvenirs among the children of schools including school bags, shirts, caps, notebooks and other stationery items. The team visited Mahmoud Hotaky School, Amena-e-Fedawi Girls School, Zarghona Kindergarten in Kabul and Paghman Girls School in Paghman District.







**Aghanistan Institute For Civil Society (AICS)**

Address: House # 58, Street # 12, Qala-e-Fatullah, Golahi Paikob  
Opposite Sehat Afghan Clinic, Kabul Afghanistan

Website: [www.aicsafg.org](http://www.aicsafg.org)

Twitter: AICSaf

Email: [info@aicsafg.org](mailto:info@aicsafg.org)

Facebook: AICSafghanistan

Phone: +93 (0) 792829122