

CSR in Uganda:

Perceptions, approaches and needs of companies.

Final Draft

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List of Acronyms

CSR	Corporate Social Responsibility
DED	Deutscher Entwicklungsdienst (German Development Service)
FUE	Federation of Ugandan Employers
GoU	Government of Uganda
ICGU	Institute of Corporate Governance of Uganda
LEU	Living Earth Uganda
MUBS	Makerere University Business School
NEMA	National Environment Management Authority
PEAP	Poverty Eradication Action Plan
PIP	Public Investment Plan
PRSP	Poverty Reduction Strategy Paper
SME	Small and Medium-size Enterprises
UCCSRI	Uganda Chapter for Corporate Social Responsibility Initiatives
UMA	Uganda Manufacturers Association

Section One: General background

CSR is a relatively new concept in Uganda and up until now no systematic research has been conducted pertaining thereto. The purpose of this study was to collect information about the various perceptions, approaches and needs of companies with regards to CSR. It was commissioned by the CSR Consultative Group, financed by DED and conducted by UCCSRI in cooperation with DED Uganda.

The CSR Consultative Group is a network of major CSR stakeholders in Uganda working together to promote and shape CSR in Uganda. At present the CSR Consultative Group consists of Uganda Chapter for Corporate Social Responsibility Initiatives (UCCSRI), German Development Service (DED), Uganda Manufacturers Association (UMA), Institute of Corporate Governance of Uganda (ICGU), Makerere University Business School (MUBS), Living Earth Uganda (LEU) and CSR Chain Link.

The objectives of the CSR Consultative Group are (a) to establish a strong and sustainable CSR network in Uganda, (b) to enable each member of the CSR Consultative Group deliver high quality CSR services, (c) to encourage and support companies and relevant stakeholders to integrate CSR in their business activities, (d) to mobilize resources for CSR activities and (e) to advocate for better CSR practices and policies.

Section Two: Research proposal and research methodology

2.1 Objectives of the study

The reason for undertaking this study was to investigate corporate managers CSR perceptions, needs and interventions that support the development of sustainable business practices with relative environmental, economic and social benefits in Uganda. The objectives of the study were:

- To determine the level of CSR awareness and perceptions among companies
- To determine the different approaches used by companies in their practice of CSR
- To identify what motivates companies to implement CSR activities
- To identify the challenges and obstacles to CSR development in Uganda
- To identify the nature and extent of support needed from the CSR Consultative Group
- To analyze framework conditions for CSR in Uganda.

2.2 Definition of CSR

This study is largely based on the CSR definition of the EU and encompasses social, environmental and economic aspects, pro-active involvement of stakeholders as well as sustainability aspects (European Commission, 2002). In order to capture the particular areas of CSR, the research differentiates between four areas which are marketplace (e.g. supply chain issues, product safety), workplace (e.g. training, health and safety), environment (e.g. emissions, energy efficiency) and community (e.g. impact of local operations to community, community involvement). The outline adopted for the research was partially based on a report on CSR in East Africa as published by Ufadhili Trust (2008).

CSR is often defined as "actions that appear to further some social good beyond the interests of the firm and that which is required by law" (McWilliams and Siegel, 2001: 118). Considering that the enforcement of laws relevant for companies in Uganda (e.g. environmental and labour laws) remains inadequate, this CSR study covers both; activities of companies which are compliant with the law, but also those that go beyond legal requirements.

2.3 Sampling of respondent companies

A total of 50 companies were randomly selected and interviewed according to the following criteria:

- size (number of employees)
- legal registration in Uganda
- involvement in at least one CSR activity in Uganda in the past 12 months.

Those interviewed within the companies were senior managers in charge of CSR; including managing directors, chief executive officers, chief financial officers, marketing managers, public relations managers, CSR managers, heads of corporate affairs and human resources managers. They were interviewed using a structured questionnaire, which contained a total of 125 qualitative and quantitative questions.

Focus group discussions involving one small and one very large company as well as website content analysis of selected interviewed companies were conducted. To maintain the corporate image of these companies, the information contained on their websites was extracted without any alteration.

The sectors covered in the research were the services, manufacturing, and agricultural sectors with the following allocation: 58 % services, 26 % manufacturing and 16 % agriculture sector companies.

According to the Uganda Bureau of Statistics (2007), there were nearly 26.000 businesses (5 and more people employed) registered in Uganda, 64 % of which employed below 10 people, with only 4 % of the businesses employing more than 50 employees. It is assumed that larger companies are involved in some form of CSR. This is reflected in the following percentage breakdown of interviewed companies: 18 % small companies (5-19 employees), 20 % medium companies (20-100 employees), 32 % large companies (101-500 employees) and 30 % very large companies (over 500 employees).

Section Three: CSR awareness and perceptions among corporate managers in Uganda

3.1 CSR as defined by companies in Uganda

To measure the level of CSR awareness and perceptions managers were asked to define CSR. Most companies emphasized being responsible towards internal and external stakeholders of the companies and in particular towards the society (“giving back to the community”)’ as illustrated by the following statements:

Table 1: CSR definitions in Uganda

CSR defined by company managers in Uganda
<ul style="list-style-type: none">• When companies consider the interests of society by taking responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities and other stakeholders as well as the environment.• How companies manage their business processes to produce an overall positive impact on society.• Considering all stakeholders while making business decisions that manage stakeholder relationships.• Giving back to society and cementing the bond of the company to society through demonstrating the caring heart of the company.

It is evident that managers in Uganda are aware of CSR, but often have a vague idea of what CSR actually involves.

Table 2: CSR case of Uganda Telecom Ltd

An example of a strategic CSR definition: Uganda Telecom Ltd
Telecommunications plays an essential role in safeguarding, enriching and strengthening the social, environmental and economic foundation of Uganda. Telecommunications has transformed our country through access to innovative technologies that make a real and positive difference in people's lives. Key to this journey is the relationships we have developed with the society we serve. This is why at Uganda telecom corporate social responsibility has become an integral part of what we do; in our challenges, achievements and vision for the future. We recognize the impact we as a corporation have had on the environment and in the communities we serve, and fully accept the responsibility this bestows upon us. We have embraced our responsibilities and have undertaken social investment initiatives in education, sports, ICT for development and with empowering disadvantaged children.

Source: Uganda Telecom Ltd corporate website: www.utl.co.ug

3.2 CSR awareness among companies in Uganda

Managers were asked to indicate their level of agreement to the following statements on what a socially responsible company should do. The results are ranked on a scale from 5 (strongly agree) to 1 (strongly disagree).

Table 3: Perceptions about a socially responsible company

A responsible company...	Mean
Should comply with legal regulations	4.94
Should aim at having a successful business	4.92
Should care about its staff by observing working hours, training, etc	4.84
Should be fair in dealing with clients and customers	4.82
Should be active in protecting the environment	4.68
Should have anti-corruption measures in place	4.66
Should monitor their CSR activities and their impact	4.56
Should consider the sustainability of CSR activities	4.54
Should support projects with a long term environmental effect	4.54
Should integrate CSR as part of their business activities	4.52
Should involve relevant stakeholders in their CSR activities	4.50
Should support projects with a long term social effect	4.50
Should have a CSR policy in place	4.48
Should be fair and loyal to partners and competitors	4.48
Should support the development of civil society	4.38
Should inform stakeholders about their CSR activities	4.38
Should commit to social activities that benefit the company	4.14

All statements were ranked very high (above 4), whereby compliance with legal requirements ranked the highest (mean of 4.94). This clearly indicates that companies in Uganda consider it socially responsible to comply with their country's laws and regulations.

3.2.1 Perceptions about CSR and profitability

Using a scale of 5 (strongly agree) to 1 (strongly disagree), managers were asked how they perceive CSR in relation to their companies' profitability.

Table 4: Perceptions on CSR and company profitability

	Mean
Practicing CSR reduces a company's profitability	1.96
It is only companies that are making profits which should engage in CSR	1.88

The majority of managers disagreed that their engagement in CSR would reduce their companies' profitability (mean of 1.96). Most companies also disagreed that solely companies, which are making profits should engage in CSR (mean of 1.88).

3.2.2 Perceptions about CSR engagement according to company size

The table below shows perceptions about CSR engagement according to company size based on a scale from 5 (strongly agree) to 1 (strongly disagree).

Table 5: Perceptions on CSR engagement and company size

	Mean
Large companies should engage in CSR	4.36
Multinational companies should engage in CSR	4.32
Medium-sized companies should engage in CSR	4.20
Small companies should engage in CSR	4.06

A mean of above 4 indicates that most managers of the companies studied believe that all companies regardless of size should engage in CSR.

3.3 Perceptions about relevance of CSR in Uganda

The following statements of managers interviewed show their views about the relevance of CSR with regard to Uganda's development:

Table 6: Relevance of CSR in Uganda's sustainable development

Relevance of CSR in Uganda
<ul style="list-style-type: none">• CSR can help to address the shrinking role of government in social programs.• If CSR environment and infrastructure is enabled, companies will have to look beyond the goal of short-term profit to responsible citizenship.• CSR creates decent business behavior and environment which attracts more business players and promotes sustainable economic and social development.• CSR helps develop communities and with this development brings on better life quality which can in turn breed better staff members who will help grow the business.• Contributes to the sustainable development of the community in which a company operates and hence a sustained market base.• Enforcing CSR among business operations in Uganda will improve the economy of the country and also help to develop the resources and potential available in the country.

3.4 Key observations - CSR awareness and perceptions

- Managers interviewed drew an ideal picture of what CSR should include.
- They are convinced of the relevancy of CSR for the development of Uganda.
- Most managers define CSR in terms of giving back to the community and stakeholder management.
- Managers interviewed are convinced that all companies should pursue CSR regardless of company size.

Section Four: Methods and approaches to CSR in Uganda

In order to capture the methods and approaches to CSR, the study differentiates between

- community
- workplace
- environment
- marketplace

Managers were presented with statements on each of the above areas and asked to rate their companies' engagement in them, on a scale from 5 (to a very great extent) to 1 (to no extent).

4.1 Workplace

With an average rating of 4.04 the research revealed that the studied companies are to a great extent involved in workplace activities. In particular, they have to a very great extent ensured that there is no child labour in their companies (mean, 4.96).

Table 7: CSR involvement in workplace

Our company:	Mean
Ensures that there is no child labour in the organization	4.94
Staff forums and grievance procedures put in place	4.40
Occupational health and safety issues are catered for	4.31
We provide equal workplace opportunities	4.28
Did not face any labour dispute in the last 12 months	4.28
Provides employees with other incentives beyond remuneration	4.18
Ensures proper work-life balance for employees	4.10
Overtime hours are allowed and paid for	4.04
Conducts regular employee satisfaction surveys	3.92
Stress and group dynamics are looked into	3.86
There is an HIV/AIDS workplace policy in place and enforced.	3.84
Is certified under a human resource quality certification	3.64
Employees are members of a trade union	2.76
Average	4.04

4.2 Community

Companies are to a great extent involved in communities, but the range of their activities varies widely in scope. The top 5 CSR activities are education, sponsorship of events related to the company's marketing strategy, health, HIV/AIDS related issues, and employee volunteerism. Respondents indicated that these activities directly contribute to sustainable business development and shape the economic future especially if people are healthy and educated.

Table 8: CSR involvement in community

Our company involves in...	Mean
Education	3.98
Sponsorship of causes or events within our company's marketing strategy	3.76
Health	3.56
HIV/AIDS related activities	3.51
Employee volunteerism in community affairs	3.50
Regular donations to local appeals	3.46
Vocational and technical training	3.40
In-kind support to a range of charitable institutions	3.30
Sponsorship of causes or events outside our company's marketing strategy	3.29
Sports	3.14
Providing safe drinking water	3.14
Support to minority groups	3.12
One time donations to local appeals	3.10
Financial support to a range of charitable institutions	2.98
Infrastructure	2.84
Religious issues support	2.61
Cultural promotions	2.46
Housing	2.42
Average	3.20

4.3 Environment

An average rating of 2.98 indicates that companies are only to a moderate extent involved in environmental issues.

Table 9: CSR involvement in environment

Our company involves in...	Mean
Efforts to address negative impacts of the company's operations regarding land use and bio-diversity	3.14
Initiatives to manage all emissions, effluents, and waste	3.06
Initiatives to move towards renewable energy sources and energy efficiency	2.98
Efforts to recycle materials	2.90
Efforts to mitigate the negative impact of packaging materials on the environment	2.90
Efforts to mitigate the negative impact of the company's use of water resources on the environment	2.90
Average	2.98

An example of how and why a company approaches environmental CSR activities is the following:

Table 10: Case of Thermocool Ltd involvement in environment

An example of a company involved in environment: Thermocool Uganda Ltd.
Thermocool is an ISO 9001 certified air conditioning specialist in Uganda. Thermocool is cooperating with the National Environmental Management Authority (NEMA) towards environmental protection. The company approaches all of its business activities with an environmentally responsible attitude and implemented a quality management system with respect to the environment. Customers are increasingly seeking goods to be manufactured in an environmentally and socially responsible manner. Thermocool recognised that the long-term success of its business depends on building a good company reputation in the society.

Source: Thermocool Uganda Ltd corporate website: www.thermocool.co.ug

4.4 Marketplace

To a very great extent (rating above 4.50), companies are involved in ensuring product safety, product labeling, supplier relations and fairness to competitors. On average the companies studied answered that they are to a great extent (average 4.46) involved in the following market place activities.

Table 11: CSR involvement in market place

Our company...	Mean
Pays attention to product safety	4.64
Pays attention to proper product labeling	4.63
Has responsible supplier relations	4.62
Is fair to its competitors	4.61
Offers warranty of its products to the customers	4.39
Especially sells affordable products or services for the poor	4.33
Involves customers, suppliers and other stakeholders in its product/service development	4.32
Does ethical advertising	4.14
Average	4.46

4.5 Key observations – methods and approaches to CSR

- Especially SMEs were not aware that CSR also includes workplace, environment and marketplace aspects. When managers think of CSR they mainly concentrate on community aspects. It is clear that while many of the companies interviewed had not “branded” their activities as CSR, when disclosed and briefed about the broader issues involved with CSR, they realized that they were already doing CSR. In this respect the research was also a learning tool for companies.
- Out of all four CSR areas environment scored by far the lowest.
- Managers rated their engagement in workplace and marketplace rather high. It would be worthwhile to additionally know about the views of employees, customers, suppliers, business partners, and competitors and to compare the findings.

Section Five: CSR drivers in Uganda

5.1 CSR drivers for companies in Uganda

Managers were asked to indicate the most important reasons /drivers for their companies' involvement in CSR practices. The answers are categorized in community, workplace, marketplace and environment and a general category, which also includes moral aspects:

Table 12: CSR drivers in Uganda

CSR drivers for Ugandan companies
<p>Community</p> <ul style="list-style-type: none">• Demonstrate our giving hand to the communities we live in and which we operate business-wise.• Improve the quality of life of the communities.• Acquire the goodwill of the people around us, which is key to a successful business.• Contribute lasting benefits to society through consideration of environment, ethical and economic concerns.• Maintain a good relationship with the community, while fostering business development.• Social relevance, sharing with the community, uplifting living standards.• Contribute to Uganda's development.• Improve health (especially of the infected and affected with HIV/AIDS and other killer diseases).• Measure success of our company based on the impact we have on the communities where we operate.
<p>Workplace</p> <ul style="list-style-type: none">• Build life skills and stimulating critical thinking that provides a solid foundation for business growth and sustainability.• Improve on our workers lives and welfare.• Contribute to our company's internal development.
<p>Market place</p> <ul style="list-style-type: none">• Attract customers, improve marketing.

Environment

- Recognize the need for and maintain a clean environment for sustainable economic growth.

General

- Exercise our responsibility in Uganda. Regardless of whether we are a Ugandan or foreign-owned company; we are responsible to all Ugandans because we live, work and do business in Uganda
- Enhance business ethics
- Promote good practices

5.2 Key observations – CSR drivers

- The majority of drivers mentioned relate to community aspects, which is again a strong indication that companies define CSR mainly in terms of “giving-back-to community.” It appears that philanthropic motivation and keeping the license to operate go hand in hand.
- Financial profitability and increased competitiveness were not directly cited as motivators /drivers, but can nevertheless be considered to play a vital part in motivating companies to engage in CSR.

Section Six: Managing CSR in Uganda

6.1 CSR responsibilities

Managers were asked which management level (top, middle, and bottom, all staff) is responsible for initiating, implementing and monitoring CSR activities and how CSR behavior is instilled among staff.

The top level management of the companies interviewed was with 52 % responsible for initiating, with 22% responsible for implementing and with 32 % responsible for monitoring CSR activities. In addition, 20 % of all staff is responsible for initiating, 28 % for implementing and 10 % for monitoring.

CSR being a new business concept and practice in Uganda, the following are so far the most successful ways through which companies have tried to instill CSR behavior amongst their employees/staff:

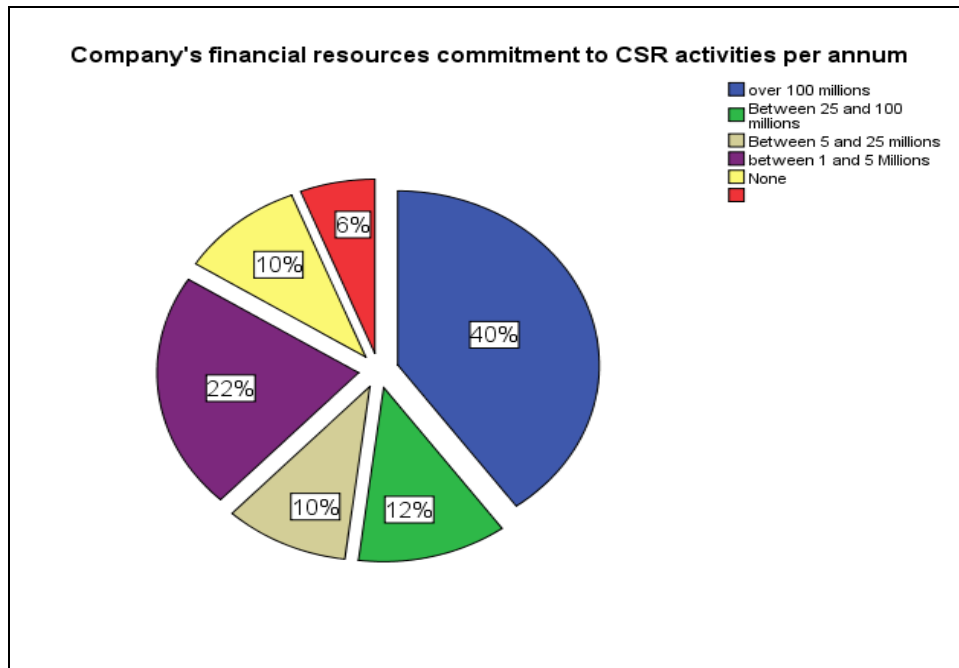
Table 13: Instilling CSR behavior among staff

Examples of how to instill CSR behaviour within the company
<ul style="list-style-type: none">• Involving all staff in annual branch and departmental community projects as well as in organizing CSR activities.• Undertaking CSR awareness and education exercises. This is typical of mainly large and very large companies. SMEs have used this approach to a very low extent.• By hiring external consultants to train workers in CSR.• Some large companies have initiated CSR policies and started to enforce them.• Providing them with opportunities to identify and authenticate CSR projects/initiatives.• Using internal marketing means like circulars, internal newsletter, etc.• Involving employees in discussions on implementing CSR programs.• Giving motivational awards and grants for CSR practice.• Providing opportunities for partnering with other organisations like children organizations.• Involving all staff in the global community day.• Regular communication of CSR activities undertaken by the firm.

6.2 Financial CSR commitments

Managers were asked to indicate their financial commitment to CSR activities. Ninety percent (90 %) of the responding companies mentioned that they are allocating financial resources towards CSR related activities, with 40 % of respondents spending over a 100 million UGX annually. 6 % do not know how much they spend. Partly companies were hesitant or/and unable to disclose exact financial figures possibly due to tax repercussions and a lack of knowledge of their companies' departments varying CSR budget allocations. It seems that in most companies CSR budgets are assigned towards community activities. The average spent by companies is shown on the pie chart below:

Table 14: Financial commitment to CSR activities per annum



6.3 Measuring CSR success

Companies were asked how they measure the success of their CSR activities. The answers were as follows:

Table 15: CSR success and measures

Companies measure the success of their CSR activities based on the following:
<ul style="list-style-type: none"> • Number of beneficiaries reached (especially as regards health interventions, housing structures and education facilities) • Increased number of requests for more interventions/support in a particular activity that the organization has been involved in • Number of complaints received by the company from consumers and other stakeholders.
The tools and mechanisms used to measure the success include:
<ul style="list-style-type: none"> • Many of the sampled large and very large companies conduct customer satisfaction surveys, impact assessments, monitoring and evaluation. • Managers of SMEs indicated that they do not measure the success of their CSR activities in a structured way due to a lack of knowledge, proper financial resources and managerial constraints. • Keeping track of behavioral responses and quality of life of the communities in which these companies operate.

Companies also indicated that they had started on a variety of CSR activities, but failed to continue due to the following:

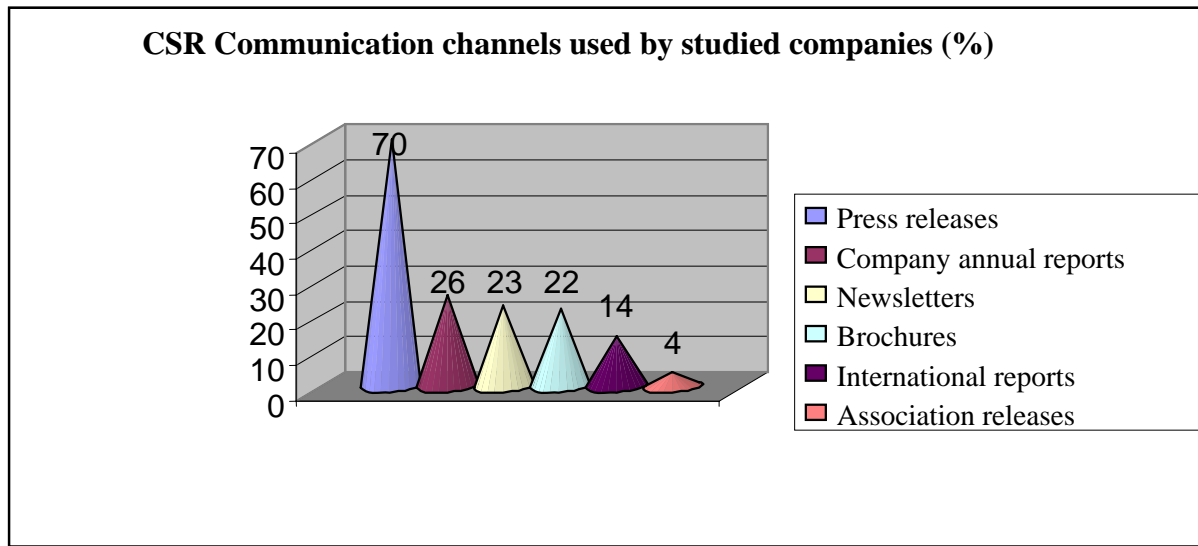
Table 16: Causes of failure for CSR activities

Main reasons for failures...
<ul style="list-style-type: none"> • A lack of commitment to the particular CSR activities by top management and/or staff • A lack of competencies to plan, monitor and evaluate CSR activities • No long-term CSR approach by companies

6.4 Communication of CSR issues to public/stakeholders

CSR communication, as defined by Morsing (2006: 171), is "communication that is designed and distributed by the company itself about its CSR efforts". Companies sampled were asked which channels (press releases, company annual reports, international reports, brochures, newsletters, others) they use for their CSR communication. The distribution was as follows:

Table 17: CSR communication channels



The diagram above shows that companies mainly use press releases (70%) to communicate their CSR activities. These are followed by annual reports (26%), newsletters (23%), brochures (22%), and international company reports (14%), and last of all by association' releases (4%). Most companies consider communicating through the press as the most effective tool.

6.5 Key observations – managing CSR

- There are good best practice examples available for companies to instill CSR behavior among companies.
- Monitoring and measuring of success: larger companies are doing more market studies and impact studies, but often face problems as they do not have the expertise in measuring the impact of their CSR activities. SMEs face difficulties in measuring their CSR activities. Companies of all sizes indicated that there is a need for simple planning, monitoring, and evaluation systems/tools.
- Most companies were hesitant to disclose their CSR budgets and many were not sure of how much they actually spend on CSR.
- 40 % of the companies interviewed spend over 100 million UGX annually. The question is what impact they achieve and how sustainable their investments are.
- 70 % of the companies interviewed use press releases to communicate to the public/stakeholders. It would be interesting to further find out whether companies have a PR/communication/marketing strategy for their CSR activities in place. Other channels, such as association releases don't seem to be present.

Section Seven: Challenges when implementing CSR and support needed

7.1 Challenges when implementing CSR

Managers have been asked which challenges they face when implementing CSR and which initiatives they have undertaken to overcome these challenges.

Table 18: Challenges in implementing CSR and initiatives to overcome these challenges

Challenges faced when implementing CSR...
<ul style="list-style-type: none">• Limited budgets.• Limited infrastructure.• Limited CSR awareness and expertise (CSR is relatively a new concept in Uganda).• Identification and prioritization of needs and causes in alignment with the overall company strategy.• Some companies do not have a CSR strategy in place to guide their interventions. So they end up engaging in CSR on a trial and error method, which consequently yields no greater impact.• Limited and difficult access to technical support and expertise related to CSR implementation, monitoring and evaluation.• There are too many requests for CSR interventions that companies are not able to satisfy.
Initiatives undertaken to overcome challenges faced when implementing CSR...
<ul style="list-style-type: none">• Initiating CSR policies and strategies to guide management and staff in approaching CSR and in setting priorities for CSR.• Having provisions in annual budgets for CSR activities and abiding by them.• Some companies have designed application forms for CSR project applications.• Some of the very large and large companies have monitoring and evaluation templates for CSR activities.• Partnering with other players that will help in funding CSR activities, e.g. foundations, donors, business partners etc.• A full embrace of CSR within the entire company structure. Interdepartmental co-operation within the same company so as not to leave it solely as a marketing /public relations function.• Looking for credible and viable partnerships and regular follow-ups on CSR activities.• Training of in-house CSR trainers.• Seeking help from donor agencies.

Very few large companies have considered setting up a foundation in order to manage their CSR activities.

Table 19: CSR management at MTN Uganda

CSR managed via a company's own foundation: MTN Uganda Ltd
MTN is one of the very few large companies (with over 500 employees) in Uganda that have dedicated themselves to long term CSR activities. To maximize CSR impact in Uganda's development, it instituted the MTN Foundation. This is the corporate social responsibility arm of MTN Uganda that carries out various charitable projects within the communities where MTN operates. Its mission is to improve the quality of life, through caring partnerships. Launched in 2007, the MTN Foundation is a non profit organization engaged in activities of general interest having a philanthropic focus on (a) education including science & technology, (b) music, arts & culture, (c) health and HIV/AIDS, (d) environment, (e) community development and (f) low cost housing through a long-term strategic partnership with Habitat for Humanity. One of the biggest challenges for the MTN Foundation is the monitoring and impact assessment of its CSR activities.

Source: Focus Group Discussion with MTN Group staff and corporate website www.mtn.co.ug

7.2 CSR support needed

On a scale of 5 (strongly agree) to 1 (strongly disagree) most respondents indicated that they need CSR support. As the following results show, there is no clear preference as to a single kind of support favored by the studied companies. What is clearly evident; however, is that financial support and CSR training/consultation on environmental issues are not a priority for most of the companies.

Table 20: CSR support needed

CSR support needed	Mean
Events on CSR	4.11
CSR newsletters with best practice models	4.09
General CSR training	4.07
CSR discussions with other business leaders in CSR	4.07
CSR training/consultation on how to improve worker loyalty	3.93
CSR training/consultation on how to effectively plan and monitor CSR projects	3.91
CSR training/consultation on the implementation of CSR within the company	3.87

CSR training / consultation on how to integrate and successfully partner with stakeholders	3.80
CSR training/consultation on how to market CSR activities successfully	3.80
CSR training/consultation on identifying CSR potential within the company	3.80
General CSR consultation	3.72
Financial support for the implementation of CSR activities	3.63
CSR training / consultation on environmental management systems, energy efficiency	3.28

To a moderate extent the interviewed companies consulted local intermediaries such as FUE, ICGU, UCCSRI, UMA, consultants, advertising agencies and donors for CSR support/advise. So far companies do not have any preference for any of the intermediaries mentioned.

7.3 Managers' suggestions on CSR to the Ugandan government

Managers have been asked of what the government can do to reduce the obstacles faced by companies when implementing CSR in Uganda. The research yielded the following results:

Table 21: Managers' suggestions to the government

<i>Managers' suggestions to the government regarding CSR</i>
<ul style="list-style-type: none"> • Work on basic infrastructure like roads, construct hospitals and school buildings, etc which will ease these managers interventions given the limited budgets in which they operate. • Develop a policy framework that will regulate CSR activities of companies. • The government should streamline its governance systems, tax breaks for donations to charity activities and allocations to CSR activities. • It should work hand in hand with companies to implement CSR and where possible help to finance key CSR activities. • Reduce tax on goods aimed at CSR as well as fight bureaucracy especially in ministries. • Have specific organs that track and recognize what is happening in companies as regards CSR issues since in most cases, these companies efforts are not recognized and hence go unnoticed. This recognition can be by even awarding best CSR practicing enterprises. • Offer CSR technical support, fund the trainings, etc • It should include CSR in its policy documents and priority plans / activities, as it did for anti-corruption when it included it in Poverty Eradication Action Plan (PEAP).

7.4 Key observations – challenges when implementing CSR and support needed

- A big number of companies do not have a CSR strategy, so they end up engaging in CSR on a trial and error method, often overwhelmed from the various requests from communities and NGOs.
- Companies face limited and difficult access to technical support and expertise related to CSR implementation, monitoring and evaluation.
- Already, good practice examples are available from within Uganda in terms of the establishment of CSR policies and of monitoring systems as well as with regards to partnering with various stakeholders.
- Managers expressed their need to have CSR events (conferences, good practice exchange among managers), newsletters with good practice models, general and also specialized CSR training and consultation.
- Companies do not have a preference for any intermediaries, whom they consult for CSR advice.

Section Eight: CSR policy framework in Uganda

8.1 CSR and the Government of Uganda

CSR as a priority item does not appear anywhere among the government priority issues highlighted in the Public Investment Plan (PIP, 1994/95 - 1996/97) and the Poverty Eradication Action Plan (PEAP, 2004) currently referred to as Poverty Reduction Strategy Paper (PRSP). Quoting top government officials, some corporate managers stated that CSR “...is not needed in Uganda, but, companies should instead just become loyal and pay up on their taxes...”. However, most large and very large companies sampled appear to be embracing CSR in their operations and decisions.

Uganda does have a number of laws and institutions in place, which indirectly concern CSR. These include among others the following: Employment Act 2006, Occupational Health and Safety Act 2006, Labour Disputes Act 2006 and the Labour Union Act 2006, Mining Act, National Forestry and Tree Planting Act, Water Act, National Environment Act, and Noise Standards and Control Regulations.

It can be noted that laws are not always adhered to and enforced. Institutions and organizations such as the Institute of Corporate Governance Uganda, the National Environmental Management Authority, the Directorate of Ethics and Integrity, the Federation of Ugandan Employers and the Uganda Manufacturers Association, have an important role to play.

For example, the government has instituted NEMA to ensure that all business enterprises comply with environmental minimum standards. However, companies have followed the set NEMA guidelines with hesitance and partial resistance. Prior to starting a business venture, companies need to undertake an Environmental Impact Assessment and have NEMA consent to it. Nevertheless politics and company practices have made it challenging for NEMA to enforce its mandate, which in turn has greatly affected the sustainability of business operations from an environmental perspective.

8.2 Key observations – CSR policy framework

- The Government of Uganda does not promote CSR practices in Uganda, although there are a number of laws indirectly relating to CSR. These laws are not entirely adhered to however.

Section Nine: Summary of key observations

Section Three: CSR awareness and perceptions

- Managers interviewed drew an ideal picture of what CSR should include.
- They are convinced of the relevancy of CSR in the development of Uganda.
- Most managers define CSR in terms of giving back to the community and stakeholder management.
- Managers interviewed are convinced that all companies should pursue CSR regardless of company size.

Section Four: Methods and approaches to CSR

- Especially SMEs were not aware that CSR also includes workplace, environment and marketplace aspects. When companies think of CSR they mainly concentrate on community aspects. It is clear that while many of the companies interviewed had not “branded” their activities as CSR, when disclosed and briefed about the broader issues involved with CSR, they realized that they were already doing CSR. In this respect the research was also a learning tool for companies.
- Out of all four CSR areas environment scored by far the lowest.
- Managers rated their engagement in workplace and marketplace rather high. Here it would be interesting to also get the view from employees, customers, suppliers, business partners, competitors and to compare the findings.

Section Five: CSR drivers

- The majority of drivers mentioned relate to community aspects, which is again a strong indication that companies define CSR mainly in terms of “giving-back-to community.” It appears that philanthropic motivation and keeping the license to operate go hand in hand.
- Financial profitability and increased competitiveness were not directly cited as motivators /drivers, but can nevertheless be considered to play a vital part in motivating companies to engage in CSR.

Section Six: Managing CSR

- There are good best practice examples available for companies to instill CSR behavior among companies.
- Monitoring and measuring of success: larger companies are doing more market studies and impact studies, but often face problems as they do not have the expertise in measuring the impact of their

CSR activities. SMEs face difficulties in measuring their CSR activities. Companies of all sizes indicated that there is a need for simple planning, monitoring, and evaluation systems/tools.

- Most companies were hesitant to disclose their CSR budgets and many were not sure of how much they actually spend on CSR.
- 40 % of the companies interviewed spend over 100 million UGX annually. The question is what impact they achieve and how sustainable their investments are.
- 70 % of the companies interviewed use press releases to communicate to the public/stakeholders. It would be interesting to further find out whether companies have a PR/communication/marketing strategy for their CSR activities in place. Other channels, such as association releases don't seem to be present.

Section Seven: Challenges when implementing CSR and support needed

- A big number of companies do not have a CSR strategy. So they end up engaging in CSR on a trial and error method, often overwhelmed from the various requests from communities and NGOs.
- Companies face limited and difficult access to technical support and expertise related to CSR implementation, monitoring and evaluation.
- Already, good practice examples are available from within Uganda in terms of the establishment of CSR policies and of monitoring systems as well as with regards to partnering with various stakeholders.
- Managers expressed their need to have CSR events (conferences, good practice exchange among managers), newsletters with good practice models, general and also specialized CSR training and consultation.
- Companies do not have any real preference for intermediaries, whom they consult for CSR advice.

Section Eight: CSR policy framework

- The Government of Uganda does not promote CSR practices in Uganda, although there are a number of laws indirectly relating to CSR. These laws are not entirely adhered to however.

Section Ten: Recommendations for the CSR Consultative Group

- **CSR definition:** It is recommended that a definition of CSR encompasses:
 - social, environmental and economic aspects
 - pro-active involvement of stakeholders
 - sustainability aspects
 - strategic aspects
 - marketplace, workplace, community, environment and also governance
 - activities compliant with the law but also that go beyond legal requirements
- **General CSR training:** Provide general CSR training and create awareness that CSR not only includes “giving back to community”, but also marketplace, workplace, environment and governance aspects. Also foster a deeper understanding on how a company’s CSR involvement can contribute to the profitability of a company.
- **SMEs:** Uganda’s economy is largely composed of SMEs employing 70 % of the Ugandan workforce (Ministry of Finance and Economic Development 2007). CSR training thus should not only be targeted at large companies, but also at small companies. It is recommended to foster exchange and possibly strategic partnerships between SMEs and large companies and to also look at supply chains – as companies can learn from one another and improve their CSR involvement and their profitability.
- **Specific CSR training/advise for marketplace, environment, workplace, community and governance:** Each company has its own needs as regards to CSR support also depending on the size and branch, e.g. a bank has different needs than a factory. Thus it is important for the CSR Consultative Group to network with specialists and experts in the various fields (e.g. NEMA for environment, FUE for workplace, ICGU for governance etc) and to also make them aware of CSR.
- **Environment:** Throughout the research, environment compared to community, workplace and marketplace aspects scored lowest. Especially small companies stated that they don’t have funds alongside expertise to manage their wastes and disposals. It is important to work together with experts, donors, NEMA in order to offer training and awareness and support to implement environmental management systems. Furthermore the environment and profitability aspect needs to be analyzed further. Also, so far environment has not been a big topic in Uganda and thus environmental stewardship is for most of the companies not the main focus. Definitely raising environmental

awareness will take time; in this respect it might be interesting to also work with NGOs as well as to showcase good practice examples from companies who take environmental concerns serious.

- **CSR strategy and CSR policy:** Offer advise to companies in developing tailor-made CSR strategies and CSR policies. First, it is important to carefully analyze the potential areas for CSR, also involving stakeholders. The research questionnaire can be the basis for the further development of an analyzing tool. Definitely, CSR should be included in the company's overall strategy and be also seen as a competitive tool and a tool, which contributes to the profitability of the company. It is another decision whether and how the company wants to integrate its CSR activities in its marketing / communication strategy. In this respect it is advisable to work with advertising agencies and also train them on general CSR aspects.
- **Monitoring and evaluation of CSR activities:** Advise companies in the development of simple but effective planning, monitoring and evaluation systems, which can be easily integrated in the companies reporting structure. In order to measure the impact of the CSR activities especially of what concerns companies' involvement in community activities it is advisable to foster exchange and relationships between companies and NGOs or donor organizations, which have experience and expertise of how to plan, monitor and measure the impact of development interventions.
- **CSR capacity building:** Foster peer exchange among companies of all sizes and branches. There are for example good practice examples available of how to instill CSR among staff, of how to develop and implement a CSR policy and how to overcome various challenges. Organize conferences and meetings to specific CSR topics and concerns of companies in order to provide a platform for exchange and to give expert input.
- **Identify and network** with additional partners in order to shape the CSR agenda in Uganda. Encourage companies to join the **UN Global Compact** and encompass its 10 principles on human rights, labour, environment and anti-corruption. To add weight to the UN Global Compact efforts to promote CSR in Uganda through mutual support, consultation and exchange of ideas and expertise.
- **Lobby** the Ugandan Government for CSR awareness and CSR inclusion in the PEAP.

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Annex A: The CSR Consultative Group

Who we are...

The CSR Consultative Group is a network of major CSR stakeholders and players in Uganda. It currently consists of:

- **CSR Chain link**
- **DED:** Deutscher Entwicklungsdienst (German Development Service)
- **ICGU:** Institute of Corporate Governance of Uganda
- **LEU:** Living Earth Uganda
- **MUBS:** Makerere University Business School
- **UCCSRI:** Uganda Chapter for Corporate Social Responsibility Initiatives.
- **UMA:** Uganda Manufacturer's Association

Our aims...

- To **establish** a strong and sustainable CSR network in Uganda.
- To **enable** each member of the CSR Consultative Group to deliver high quality CSR services.
- To **encourage** and support companies to integrate CSR in their business activities.
- To **mobilize** resources for CSR activities.
- To **advocate** for better CSR practices & policies.

What we do...

- **Promoting CSR** in Uganda.
- Conducting **CSR Research** and studies for the mutual benefit and use by all CSR Consultative Group members and CSR stakeholders.
- Conducting **CSR Training**.
- **Networking** within the CSR Consultative Group and also with external partners.
- **Recognizing and awarding CSR** best practicing companies.
- Supporting companies and relevant stakeholders in their **implementation of CSR**.
- **CSR Curriculum** for developing future CSR managers and advocators through formal education.



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