



Programa Multisectorial de HIV e SIDA

GIZ - Deutsche Gesellschaft für  
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## Corporate Social Responsibility in Beira, Povince of Sofala, Mozambique

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Claudia Voigt

supervised by:

Maria Kostomay, Focal Point of GIZ, Programa Multisectorial de HIV e SIDA

## **(1) Introduction**

This study is concerned with social engagement, or Corporate Social Responsibility (CSR) of companies seated in Beira and its surrounding. It was conducted within the HIV/AIDS mainstreaming programme of the German International Cooperation (GIZ) in Mozambique. The aim of the study was to gain an overview of the extent of CSR initiatives and their meaning for the private sector in Beira, province of Sofala. It was to be researched to what extent CSR is applied today in Beira and in what ways it is that companies there imagine their future engagement, in order to elaborate points of reference for possible future engagements of the GIZ in that field.

We would like to thank everybody who contributed to the realization of this study, especially ECoSIDA and ACIS for their valuable support and all the companies that participated for their time and efforts.

### **Mozambique**

Mozambique, when measured by per capita income belongs, to the poorest countries in the world and takes place 184 of 187 in the Human Development Index. Remarkable economic growth in recent years is due to the wealth of natural resources, but, until today, hasn't really affected poverty reduction. It is only the upper 20% of the population that could profit from economic growth so far in a noteworthy way, while 80% of the Mozambican population still work in agriculture. The volume of the informal sector is estimated to be a third of the whole economy, due to few mega projects and industry being concentrated in the greater Maputo area. So far, there is no political strategy for the establishment of a national system of small and medium enterprises (SME) or micro and small – scale production.

### **CSR in the global context**

Corporate Social Responsibility in the business world of developed economies today represents itself as an important element of modern and ethical business administration. Public attention is growing worldwide, and with it grows the awareness of consumers. The need for transparency is increasing and ongoing

globalization of markets and value chains bring aspects of socially and ecologically sustainable business more and more into the focus of consumers. This becomes clear through existing global guidelines and international standards, which are of importance especially in multinational companies.

By the understanding of the German development cooperation, Corporate Social Responsibility means “responsible entrepreneurial activity, which aims at designing scopes of action in the sense of sustainable development. “

The rising will of companies to face up to their social responsibility and to integrate aspects of sustainable development actively into their business strategies is very welcome from the point of view of the development cooperation, because through common objectives many possibilities for fruitful partnerships and co-operations arise.

### **In the context of middle and low income countries**

Studies concerned with CSR in sub-Saharan Africa show that the concept of CSR as element of the companies' every-day business itself is not too widely spread today, yet, but that social responsibility in general is of great importance. Especially in economic regions with weak infrastructure, low level of education and civil societies as drivers of socio-economic development only about to develop, CSR can play a significant role when it comes to compensation for deficient state regulations and enhancement of laws and standards. The economies tend to be regulated insufficiently and control mechanisms and operational systems are poorly developed or rather weakly implemented. Social peace, a well-developed infrastructure, modern educational institutions and effective environmental protection often are insecure and are subjects to fluctuations. It is therefore that more and more companies engage in these areas. The concept of Corporate Social Responsibility develops increasingly as entrepreneurial response to the paradigm of sustainable development there.

Significant distinctions must be made between transnational companies and small and medium enterprises. SME in middle and low income countries have too limited resources available in order to implement social entrepreneurship systematically or to assign personnel for CSR-activities. Different preconditions create different concepts of CSR – in developing countries one would understand CSR as an approach towards the increasing implementation of social and ecological minimum standards. The growing willingness to implement social initiatives and measures of

environmental protection has been shown in developing countries. At the same time costs could be reduced and competitiveness can be increased. The growing confidence of employees and consumers increase loyalty and can, in the end, contribute to an increase in profits of the enterprises.

## **(2) Study**

### **Aim**

Core of the study was to conduct interviews with representatives of the private sector in Beira, Sofala, which would allow for gaining an insight in meaning and the degree of institutionalisation of social and ecological responsibility in the companies. The study was conducted anonymously.

The goal was to gather information about responsibilities, selection criteria, possible partnerships, financing, non-monetary engagement, planning, implementation and evaluation processes.

In the second part of the interviews the focus was on motivation factors that influence the choice of entrepreneurs to engage in social activities or not to. It was intended to define factors, which influence the selection and design of projects and circumstances that could be perceived as hindering factors to social engagement. Furthermore it was to be investigated which factors are perceived as crucial by entrepreneurs, when it comes to success or failure of implemented projects.

In the last part of the interviews the aim was to gather information about possible future engagements. The focus was on possible needs of the companies when it comes to technical assistance. Not only was to be researched which services are necessary for the companies, but also an understanding was to be gained about the means and methods that are most useful and efficient to the entrepreneurs. The aim was to elaborate possible types of co-operations between the private sector and implementing organisations. The objective was to cover different sectors and sizes of companies in order to gain a significant overview over social engagement in the private sector.

Because of earlier studies, the presupposition was that the concept of CSR in Mozambique is just about to develop and that there is much social engagement outside of standardized processes of planning and implementation happening which

wouldn't be understood as CSR. In order to cover all those activities, the following definition was chosen:

“The companies consider the interests of society and act responsibly, integrating social, ecological and governance aspects into their entrepreneurial decision-making and business practices and engaging in collective activities, which contribute towards sustainable development.”

The focus of this research was on the external dimension of social engagement, in order to research the manner in which companies engage in social activities external to their businesses.

The time frame of this study was limited to three months. Three weeks were appointed to research, the collection of contact data and the development of the questionnaire, six weeks were for conducting the interviews and three weeks for the evaluation of the collected data and the elaboration of a final report.

## **Respondents**

The contacts with the companies were established with the support of ECoSIDA (Associação dos Empresários Contra HIV e SIDA, Tuberculose e Malária) and ACIS (Associação Comercial e Industrial de Sofala). Additionally, contact dates were collected out of directories and the Internet. Between October and November 2012, 15 companies in Beira, Marrromeu and Mafambisse were interviewed. Amongst these, ten were micro and small enterprises, five of which with less than five employees, the remaining five with 50 to 500 employees. Four of the respondents are medium enterprises with more than 500 employees. Four of the companies are active in production, four in services, three in trade/commerce, two in construction and one in forestry.

Of all the surveyed companies, eight are implementing an HIV workplace programme, seven of which employ more than 50 employees.

## **(3) Results**

### **General observations**

Of the 14 surveyed companies, five engage in no social projects or activities whatsoever at this point. Three of these neither implement an HIV workplace programme.

Four of the companies practise CSR to a small extent and rather intuitively. Elements of social business management are understood rather as acts of philanthropy than as part of the core business of the company. Money is spent for people in need or to support the construction or maintenance of schools, sport events are sponsored or supported by the donation of materials.

In five of the responding companies CSR is an important part of the business activities, and yet it is institutionalised to very different extents. Each of these companies is implementing an HIV workplace programme at this point. Three of those companies employ more than 5000 people and are part of multinational enterprises.

### **What is being done, in which areas and how does the engagement depend on other factors?**

Eight categories of possible CSR-engagement were pre-designed for this study. The majority of companies is active in the areas *health* and *community development*. Six of the 14 companies engage in each of the two fields. Four of the companies engage in *education and vocational training*. The least relevant area of CSR engagement is *humanitarian aid and disaster relief*.

Although Beira and the businesses operating there already are affected by climate change and the rising sea level, environmental protection does not play an important role when it comes to external engagement of the private sector there as of yet.

In each of the companies implementing CSR – activities at this point, the responsibilities for the selection of projects lies with the managements of the companies. Only one of the companies has a department for socio-economic development itself, where long-term CSR – activities are planned, monitored and evaluated.

The most dominant factor influencing the selection of projects are the necessities of the communities. In all of the enterprises with CSR – engagement projects are planned where they are “needed the most”. The necessities of the companies themselves also are of importance when it comes to the choice of possible social projects. The high level of commitment in the area of education seems to reflect the

lack of skilled personnel, which has been mentioned frequently during the interviews. Partnerships and co-operations occur rather seldom. Four of the companies have co-operated with government institutions before, but only one of them has been working continuously with government and community on a regular basis. Three firms each stated to have worked with non-government institutions (NGOs), non-profit organisations (NPO) or other companies.

When it comes to financing, it was found that of all the nine companies active in CSR only one allocates a fixed budget for that purpose. Four companies provide flexible financing, which is dependent on the needs of the beneficiaries and is allocated according to necessities. Four of the companies, namely those that practise CSR to a small extent, have no budget funds allocated to social programmes whatsoever. All of the companies finance their CSR – activities independently. Engagement in form of donations of material, logistical support or other non-monetary elements such as the provision of facilities for training measures is exercised by five of the responding companies. Five of the companies include their employees, the communities in which they are operating and the beneficiaries of their activities into their planning processes, the implementation and the evaluation of their projects and activities, doing so to very different extents however. The most relevant factor there turned out to be the consultation with beneficiaries, reinforcing the importance of the selection criterion of necessity. Seven out of nine companies engaging in CSR evaluate their projects and activities and state to measure quantity as well as quality when doing so. This is being done mostly in informal ways, and the responsibility of the assessment of project success mostly lies with the management of the companies. Standardized evaluation processes only exist in one of the companies, where five-year-plans are designed and sustainability is a core criterion for the continuation of projects.

Six of the responding companies have internal monitoring mechanisms, and three of these also have external monitoring, either through NGOs they co-operate with or through the government. One of the companies conducts an external evaluation once a year through an internationally recognized and independent council.

In only three of the companies with standardized CSR-activities are there people who are responsible for the planning, in two of which the projects are appointed to the department of human resources, the other one has an own department for socio-economic development.

One of the companies which to this point hasn't implemented any CSR project stated that such activities there would be appointed to the department of marketing. Three

of the companies have offered special training for those responsible for project management. None of the people in responsibility receives additional loan for this work. In six companies reports are being handed to the business management, four of these again are companies with standardized CSR-projects. As far as partnerships with the government exist, reports are filed in that direction as well. Asked for factors that bring social projects to success, the respondents pointed out communication with and the involvement of communities and beneficiaries as most important. Furthermore respondents stated that the successful implementation of projects was dependent on qualified personnel to a high degree. The establishment of political incentives for social engagement within the private sector was mentioned as a decisive factor for planning and implementing of projects as well.

### **Why do companies engage in CSR or why don't they?**

In order to determine the motives that cause or would cause companies to engage in social or environmental projects, eight possible options were predefined and it was asked, which of these influence the CSR-activity to a great extent, to a small extent or to no extent. It was found that the improvement of the companies' image, as well as the socio-economic development of the affected communities have the biggest influence. Nine of the responding companies stated that these factors influence their motivation to a great extent now or would influence the motivation for possible projects in the future. Eight of the companies stated that it is an important factor to be attractive as an employer, eight consider CSR a possibility to improve their core business. Long-term increase of profits and the growing attractiveness for customers were named as important motives by six companies respectively.

When it comes to factors influencing selection and design of the projects, the necessities of the concerned communities turned out to have the biggest impact. Next to this, the personal interests of the management are of importance, reinforcing the fact that the responsibility for CSR in the responding companies resides with the managements for the most part. The CSR policies of the companies, if existent, also influence selection processes and the design of projects. International guidelines are relevant only in two of the 14 companies that were interviewed. Asked for factors that hinder possible engagement in the social field, the greatest hindering factor turned out to be high bureaucracy or great administrative effort, named by ten of the 14



respondents. High implementation costs also hinder social activity, as indicated by seven of the companies. The lack of knowledge of evaluation methods, the lack of expertise and lacking political incentives are felt to be hindering by 50% of the respondents.

### **How will CSR be practised in the future and which services are necessary in that regard?**

In the last part of the interview it was to be determined in what ways companies will become active in the future and which services they perceive to be necessary in order to increase their engagement in the area of Corporate Social Responsibility or to be able to implement their projects more effectively. Furthermore it was to be investigated which instruments are regarded as most useful when it comes to gaining the most of these services.

All 14 companies stated the possibility of future projects, especially in the areas of *education, community development, health* and *sports/culture/arts*, but only six of them have concrete future projects planned. All of the companies express the necessity of technical assistance for the future. The most useful service turned out to be the establishment of local networks. Assistance with financing, with selection, planning and design of future projects and the establishment of networks with potential partners would be of benefit to the respondents as well. In general, it is found that for small and medium enterprises with less than 500 employees there is a need for technical assistance on practically all levels – from project planning, to their implementation, monitoring and evaluation. Companies that do not implement CSR-projects yet, also expressed interest in technical assistance in these respects for possible future projects.

Specific training measures are receiving the strongest approval when it comes to useful instruments. 100% of the responding companies consider these valuable. Especially in companies with experience in the field of CSR projects, trainings regarding *community development, project management* and *good practises* are demanded. Ten of the 14 companies consider the exchange of experience in local networks as useful, and eight companies perceive workshops as helpful instrument. Again, it is *community development* that the respondents wish to be informed about, furthermore expressing the need to learn about methods of *need assessment* and

*monitoring*. Learning panels and Internet platforms find approval from the majority of companies as well.

All 14 responding companies would be willing to make use of services as mentioned above, ten of them stating to be willing to pay for such services.

## **Conclusions**

All in all, the study of Corporate Social Responsibility in the private sector in Beira, Sofala has confirmed earlier studies on the subject. It is therefore likely that the results that were found are valid for the private sector outside of the province of Sofala, in general as well. Although institutionalised forms of CSR are only about to develop in Mozambique, social engagement as such plays a mayor role in more than half of the responding companies already, representing a part of their entrepreneurial philosophy. The activities are difficult to compare when it comes to quality, quantity and continuity. In micro and small enterprises the internal component of social business management still is the most important. Health and training measures for employees and their families are a priority and of self-interest for the companies. External engagement supporting the socio-economic development or environmental protection often is not done due to the lack of capacities. There is a high level of willingness however to engage in the future. Companies that at this point do not implement any social programme yet state in particular to want to begin with internal measures, such as health care or training, beneficent for their employees and their dependents.

As the majority of respondents perceives CSR as acts of philanthropy, the possible value added, which could be achieved on the long run, and the positive influence on the image of the companies are of little importance when it comes to deciding in favour or against CSR at this point. Here lies great potential to include more SME in CSR – projects in the future. Raising the awareness of such beneficial effects could strengthen the consciousness of CSR as a valuable investment into the future.

Many companies express a high demand for consulting and assistance. Especially the micro and small enterprises, which engage in projects to a small extent or not at all at this point, state to lack sufficient financial capacities. Therefore there is a strong interest in carrying out projects in co-operation with different partners. Companies that are experienced with CSR projects show a very different degree of standards

when it comes to implementation. There also exists a big necessity for technical assistance. Methods of need assessment in order to implement projects where they are most needed and training in project management in order to work more efficiently are of great importance. Furthermore the enabling of the exchange of experiences is a necessity in order to optimize processes.

Based on the results of this study, programme recommendations were formulated for the HIV mainstreaming programme of GIZ, taking into account the findings regarding necessities of companies in Beira for possible future engagements in the field of CSR.