

Caleb M Fundanga: Corporate social responsibility - challenges that the private sector in Zambia should overcome

Key note address by Dr Caleb M Fundanga, Governor of the Bank of Zambia, at the Mufulira District Advisory Committee's 2006 Business Forum, Mufulira, 18 March 2006.

* * *

**CHAIRPERSON,
YOUR HONOUR THE MAYOR OF MUFULIRA MUNICIPAL COUNCIL,
THE DISTRICT COMMISSIONER,
THE TOWN CLERK,
DISTINGUISHED INVITED PARTICIPANTS,
LADIES AND GENTLEMEN**

On behalf of the Bank of Zambia and indeed on my own behalf, allow me to thank you for this invitation to Mufulira. It is an honour to be invited to this important Forum to share a few words with the business community on the issue of Good Corporate Citizenship.

In view of the growing role of the private sector as a partner in economic development in Zambia, this topic could not have come at a better time than now. In fact, when I was invited to come here by the Municipal Council, I took a bit of time to reflect on the challenges good corporate citizens face. On the outset, it is imperative to realise that despite the moral ethics that come with being a responsible and good corporate citizen, advantages can also be exploited by strengthening the synergies between private sector growth on the one hand and social, economic and environmental development on the other. In view of this, I prepared my address within the context of the underlying theme "**Corporate Social Responsibility: Challenges that the Private Sector in Zambia Should Overcome**".

Your Honour the Mayor, Chairperson, Ladies and Gentlemen, there is a growing awareness world over on the importance of the role that business communities should take in contributing to the improvement in the overall welfare of the communities in which they operate. It is being realised that even though Governments are accountable to their citizens, business houses can also make valuable contributions to society without heavily compromising their corporate objectives.

You would agree with me Ladies and Gentlemen that companies that practice good corporate citizenship are usually preferred employers, investment partners and neighbours in the communities they operate. To help achieve their nonfinancial objectives, many have adopted corporate creeds or ethical statements as integral parts of their behaviour. Such firms know that their acceptance into new markets could hinge upon their contribution to the social well-being of their environment.

Ladies and Gentlemen, this is a phenomenon that has become generally known as 'Corporate Social Responsibility' and refers to the attention by companies to community involvement, environmental protection, socially responsible products and processes, and socially responsible employee relations. Put differently, Corporate Social Responsibility is the extent to which businesses meet the economic, legal, ethical and discretionary responsibilities imposed on them by their stakeholders.

The world over, Corporate Social Responsibility has promoted activities in key areas, namely education, health, the environment, culture and the arts. Examples of the activities generated by good corporate citizenship include charitable donations and local community action, e.g. employee volunteering, youth projects, unemployment schemes, etc.

The motivations of the business community to engage in Corporate Social Responsibility are numerous.

- Firstly, investment by the business community in the promotion of social goods such as education and health can have a direct impact on the productivity of the community and profitability of the private sector. This contributes to the physical and mental health of the company's employees, hence enhances social and human capital.
- Secondly, the sensitivity of a firm to the concerns of a society can contribute positively to its reputation and the acceptability of its products.
- Thirdly, beyond improving the customer-company relationship, Corporate Social Responsibility can foster harmonious relationships between various stakeholders in a society.

- Lastly, it is acknowledged that a stable environment is generally good for business.

Ladies and Gentlemen, institutions such as the Bank of Zambia is no exception in this respect. The core function of the Bank of Zambia is “to formulate and implement monetary and supervisory policies that ensure price and financial stability.” The overall objective of this is to contribute to the attainment of a stable macroeconomic environment i.e. low and stable prices, low and positive interest rates, stable exchange rate, stable financial system as well as fiscal prudence so that the private sector can flourish. Many of you will agree with me that since 2002, Zambia’s macroeconomic indicators have generally been improving. This has been reflected in the positive developments in real GDP growth, lower inflation, a downward trend in lending interest rates coupled with a stable exchange rate.

It must be stressed here that the Bank of Zambia is optimistic that further progress will be made in lowering inflation to a single digit in the near future as appropriate monetary and fiscal policies continue to be implemented. This will be supported by the effects of the movements in the exchange rate of the Kwacha, which is reflected for instance in the adjustment of the prices of petroleum products and the expected improvement in food supplies following the favourable rainy season.

Ladies and Gentlemen, beyond delivering on its core functions of attaining price and financial system stability, the Bank of Zambia recognises the importance of being a good corporate citizen. In this regard, the Bank has for many years been involved in providing financial and material support to the two state universities by sponsoring a Chair at each of these institutions as well as providing educational awards and scholarships to deserving students. In assisting the needy, the Bank of Zambia and its employees have on several occasions made donations to charitable institutions.

Ladies and Gentlemen, in view of the potential benefits that can accrue to a society, the business community in Zambia, and Mufulira in particular, are hereby challenged to make Corporate Social Responsibility an integral part of every business decision and action.. Companies should demonstrate corporate citizenship in what they are as a company, how they conduct business, how they take care of their employees, as well as in how they interact with the public at large.

Distinguished Ladies and Gentlemen, without being exhaustive, allow me to suggest some avenues through which good corporate citizenship can be encouraged among the Zambian business community.

- As a first step for pursuing Corporate Social Responsibility, companies can focus on defining the normative directions that would be appropriate and acceptable to them. These directions can be converted into a formal statement of business values and practices. Such statements can be presented in the form of principles, guidelines, or codes of conduct. For instance, a code of conduct can aim at regulating activities of an industry within the principles of responsible business by requiring the signatories to uphold fundamental human rights, to respect the culture and customs of their employees and local communities affected by their actions. In effect, these become a commitment vehicle for the business to declare its perspective and way of doing business with respect to the challenges relating to Corporate Social Responsibility.
- Secondly, integrate tenets of good corporate citizenship into corporate structures and processes, create innovative and proactive Corporate Social Responsibility solutions, and collaborate with internal and external stakeholders on social challenges, and report and account for performance in this area.
- Thirdly, Corporate Social Responsibility awards can be introduced to acknowledge the works of those that make considerable effort and impact. This can help to act as an incentive to motivate employees and managers to advance Corporate Social Responsibility. The recognition can take place at different levels such as those of the project team, corporate management, company, specific industry sector, etc.
- Finally, companies can also have their managers and employees participate in networks and multi-partner organizations that aim to advance responsible business practices for the benefit of business and society. The partners can include other businesses, government, civil society, labour unions, investor groups, etc.

As earlier alluded to, one of the tenets of good corporate citizenship is transparency and accountability. On the part of the Councils, the major challenge they face in this regard is the delivery of quality service to their clients, which is underpinned by better management of resources.

In conclusion, Chairperson, Ladies and Gentlemen, in the interest of enhancing the competitiveness of business and maximise the value of wealth creation in Mufulira District in particular and Zambia as a whole, companies are urged to make social responsibility an integral part of the wealth creation process. I am confident that the Zambian business community shall appreciate the benefits that accrue to both the company and its stakeholders in this vein, and hope I shall one day have the honour of being present at the first event to award deserving entities in this noble sphere.

I thank you all.