

A promising future for NGO-corporate synergies

In conversation with Dr. Bhaskar Chatterjee, former director general and CEO, Indian Institute of Corporate Affairs

You have been the pioneer in drafting the CSR law for India. In what ways is the CSR law unique?



Section 135 of the Companies Act, 2013 is what you might call an Indian law made for India, by India, in India, and tailored for our own development needs. There are four unique aspects of this law: 1) the law engages the private sector in the development of the nation. It is the first law that ties companies to national development efforts, which has never been attempted elsewhere in the world; 2) The CSR activity has to be “rupee measurable,” meaning a company that undertakes a CSR activity must indicate the financials of that activity; 3) Every CSR effort must be a project with start and end dates and include baseline surveys, documentation, and monitoring and evaluation; 4) CSR projects should be funded using corporate profits and must be implemented by the civil society sector. This gives NGOs and trusts a great deal of traction within which they can operate. Large companies who have been defined under the act need to spend 2 percent of their net profits on CSR.¹

You come from a civil services background. What prompted you to frame the CSR law in India?

It was partly by interest and partly by inclination. In November 2009 I was appointed secretary in the Department of Public Enterprises. The public sector was largely practicing philanthropy and the efforts seemed intermittent. I realized there is a great deal of scope to provide a formal structure and carry out real development work on the ground in a sustainable manner. I was able to write the first ever guidelines for Public Sector Units anywhere in the world, which were released on April 1, 2010. Coincidentally, the 2013 Companies Law was being drafted in between 2011 and 2013; and on the recommendation of the Corporate Affairs secretary who had heard about the terrific experiment we were doing in the public sector, I got involved with the drafting of a section on CSR (section 135).

When the CSR law was first passed, you must have come across companies participating in name only. Do you see a transformation

where the corporate houses are actually taking interest in the nation's development agenda?

Initially, acceptability was low and there was a lot of resistance. A large part of the private sector said they had already been investing in CSR for a long time. When the law passed on April 1, 2014, resistance continued and the response was somewhat sluggish; companies needed time to get adjusted and we in government cooperated. By this time, I had moved out of public sector enterprises. I retired in September 2011. But within two months of my retiring, the government gave me an appointment in the Ministry of Corporate Affairs, which was monitoring the Companies Act. So I became the Director General and CEO of the Indian Institute of Corporate Affairs (IICA), and the government created a National Foundation for CSR. This helped us to start monitoring CSR on an India-wide basis. IICA also provided a sound and dynamic platform to propagate the idea of CSR and address doubts on the part of the private and NGO sectors and help bridge the trust deficit between them. Now (2015–16 and 2016–17) things are settling down and a much better scenario has developed.

With the ever-growing economy and increasing NGO acceptance, do you think the CSR law is well suited for the times to come or do you have certain recommendations to make?

I would like CSR law to remain unchanged for at least five years. Companies must submit a return at the end of the year detailing all the projects they have taken up, NGOs with whom they have partnered, costs of each project undertaken, and the geography where each project has been implemented. This allows the ministry to clearly map out what is being done, when, how, and so on. For example, we saw that the utility or use of CSR funds in the northeast is far less than anywhere else in the country. Most CSR spending is in more developed states such as Gujarat, Maharashtra, Tamil Nadu, and Andhra Pradesh. Corporates tend to spend in areas where they operate. We want CSR money used for development in less developed states. There are possibilities for tweaking the law to give incentives to the corporate sector to spend money in these areas. This may happen in the future as we get more data.

We have talked about the areas where most funding is concentrated and what areas need funding, in your experience which development themes get the maximum CSR funding and which are lesser-known?

About 50 percent of total funding goes to education and about 15–20 percent goes to health. Last year, there was increase in funding for toilet construction. WASH, water, sanitation, and hygiene have come up in a big way, and so has skill development and women's empowerment. Among smaller CSR spends are preservation of art, culture, architectural monuments, rural sports, and care for the aged.

What tips do you have for NGOs implementing CSR projects and corporate houses engaged in CSR?

First and foremost, I would ask NGOs to professionalise themselves more than ever before—improve their presentation skills, outreach, interaction, ability to work on social media, and ability to interact with corporates. They have always worked in the field and associated with the community; that is their real strength. Second, they must enhance and strengthen their financial acumen and structuring—records maintenance, balance sheets, meeting financial criteria that corporates demand. Third, they must adhere to strict timelines and provide regular reports, file returns, and be part of the monitoring process. Lastly, whenever a project is evaluated, be able to identify the real and sustainable outcomes—move from generic storytelling to real-world numbers and figures.

When we refer to the “NGOisation” of corporates, what are the things that corporates can learn from NGOs?

Companies are far removed from the field and from development efforts. They are in a different genre all together so their ideas about what poor people need in their daily lives, what development efforts succeed on the field, or how we can make sustainable impact at the grassroots level, are very limited. NGO field experience with real-time needs come in handy as they share good project ideas and implementation platforms with corporates and help them get closer to the reality on the ground. This understanding is good for both sectors.

What do you have to say about Sehgal Foundation’s work?

That day in the roundtable on Philanthropy and CSR, I was very impressed with the sincerity, devotion, and the way Sehgal *saab* (sir) told his story. [Suri Sehgal’s story] was very inspiring and iconic. I could see that foundation team members were driven by very good ideals, which left me with an everlasting impression. I feel that with the CSR law and organizations such as Sehgal Foundation, there is a great future for these synergies to come to the fore.

(Interviewed by Arti Manchanda Grover, program leader, Communications, Sehgal Foundation)

ⁱ Companies that fall into the categories should spend at least 2 percent of their average net profit over the last three years on CSR. The criterion applies to any firm with a minimum net worth of Rs 500 crore **or** a turnover of Rs 1,000 crore **or** a net profit of Rs 5 crore.