

# Optimizing CSR for Rural Development



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## A. The Need to Focus on Rural India

According to the 2011 census, 69 per cent of India's population lives in rural areas, amounting to roughly 833 million people<sup>1</sup>. The reality of rural India is far from the idyllic scenes of bucolic farmlands. It is characterized by poverty, unemployment, and underemployment and a lack of access to basic services such as quality education and healthcare. From an environmental perspective as well, the region is grappling with the degradation of natural resources, reducing soil fertility and the depletion of groundwater resources<sup>1</sup>. These factors contribute towards a vicious cycle of poverty and deprivation, stressing rural livelihoods, depressing incomes and compromising quality of life. Rural indicators for human development consistently lag behind national averages and urban counterparts.

With a significant part of India's population living in these areas and a high proportion of them poor, rural development acquires strategic importance for nation building and its failure stymies national progress.

## B. The Opportunity

While rural development has always been a key area of focus for governments and a key determinant of political fortunes, it has also gained currency with the corporate sector with the advent of mandatory Corporate Social Responsibility (CSR) as stipulated by Section 135 of the Companies Act, 2013.

Samhita's research of the CSR spending of the top 100 BSE companies (by size of their CSR budgets) in FY15-16, showed that approximately INR 917.68 crore was disbursed through CSR grants for 'community development and infrastructure in rural areas'.

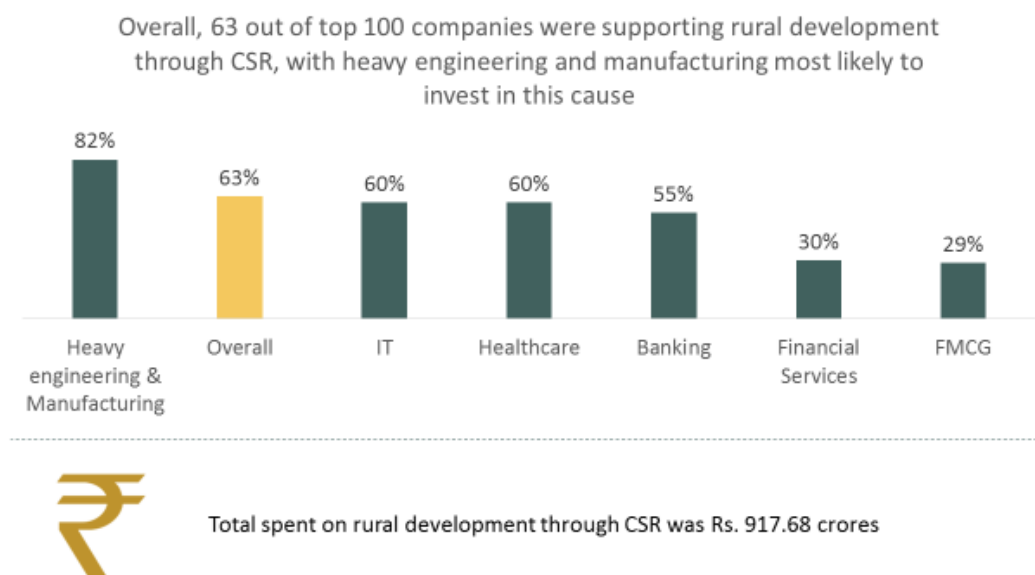


Figure 1

CSR funds amount to less than 1% of the funds that the government is channeling into rural development.

*The question then is what is the value add of CSR for rural development in India?*

<sup>1</sup> India Rural Development Report 2012|2013

The scope of CSR can go well beyond the funding it brings to the table and into the realm of providing non-financial expertise. CSR then serves the role of providing proof of concept for innovative and catalytic programs that other players can replicate and scale.

However, there are not many instances of such approaches or programs today. This article explores the reasons behind the same and suggest a few solutions.

## C. Common mistakes made by CSR when supporting rural development

Based on Samhita's experience of working with companies on their CSR strategies and programs, we have identified a set of inter-related approaches and practices that hinder the potential of CSR programs to create sustainable impact in rural communities.

### ➤ Too much focus on adopting villages, too little on catalyzing capacity

Many companies that implement CSR programs in rural development focus on service delivery in the fields of water, education, health, skill development or building infrastructure. They build new centers, offer medicines and supplies, run health and education camps: all necessary but not sufficient to bring about sustainable impact. They also run the risk of creating parallel systems. Once the company and associated partners exit the communities and private funding dries up, the situation in the villages goes back to square one. This approach indicates a short-term thinking that affects the sustainability of a CSR program.

#### ***What should CSR focus on?***

Building capacities at two levels – citizens and local service providers (teachers, anganwadis, health workers etc.), will ensure that change is embedded into the system and not dependent on an external stimulus.

- Capacity of local service providers: Many programs ignore existing service providers in the local rural ecosystem and start promoting parallel systems. This not only alienates the existing providers, who may have significant local knowledge and experience, but also harms their livelihoods.
- Capacity of local communities: CSR often views communities as 'beneficiaries' and not 'partners'. As a result, communities do not feel vested in the process, receive the services and donations 'passively' and do not make any effort to sustain impact. Co-opting communities, working with them throughout the process and enlisting them as 'active' participants will ensure collective responsibility for project outcomes. This is the basic principle of participatory development – catalyze and empower communities to take control of their own growth and development.

## Case Study 1

### A Participatory Approach to Rural Development

A large Indian construction and heavy engineering multinational is executing integrated community development initiatives in water-stressed villages, in four states of India, along with well-established NGO partners. The program initially focused on watershed development, and gradually expanding to skills, livelihood development and education over time.

The company approached this initiative through the lens of long-term, participatory development, with a village development committee (VDC) being the main instrument of change. The VDC was constituted as a body of citizens, democratically elected by the village residents, with representation from all castes and genders. It was registered and had an independent bank account to receive CSR funds for village development. It worked closely with the panchayat and was responsible for deciding priorities for the village, governance, monitoring and supervision of activities and rationing of CSR assistance wherever required. Examples of activities undertaken by the VDCs involved constructing, maintaining and running watershed structures such as bunds, gabions and anicuts, running communal grazing pastures and operating solar pumps for irrigation.

The company and the NGO partner invested significant time in empowering and training the VDC, and facilitated monthly meetings for the first few months. In fact, both the partners were insistent that direct programmatic work would only be undertaken when the VDC had started functioning in the village, to ensure ownership from the community.

The process of mobilizing people from different backgrounds to work together on a collective good was slow, painful and intense. This included a requirement to address some deeply entrenched practices such as caste discrimination in rural India. However, the approach paid the dividends. A few VDCs have achieved levels of independence wherein they have been able to raise issues in the panchayat and access government funds on their own accord. One of the VDCs is led by a member of a Schedule Tribe, shattering the status quo in that rural area.

#### ➤ Reluctance to Work with the Government

The government is the single largest institutional authority on the ground with a clear mandate and access to stakeholders and their issues in rural India. Working with governments – local, state and national provides resources much beyond any individual company's capacity. It helps to scale the impact beyond the immediate catchment areas and villages of any one company.

However, Samhita has found that some companies display a reluctance to work with governments, some with justifiable concerns and fears around an inadequate understanding of how to collaborate, red-tapism and vested interests.

#### ***What should CSR focus on?***

One way to circumnavigate such conflicts is to work with the government through indirect methods or through intermediaries, as illustrated by Case Study 3 – Transform Rural India (TRI), later in the article. By working with the government, companies can ensure the participation of one of the most powerful actors in the rural ecosystem and benefit from smooth delivery of services, the simplification of administrative and technical procedures and leverage different governmental schemes.

## Case Study 2

### Collaborating with Government - Piramal Swasthya

Piramal Swasthya, a non-profit supported by Piramal Foundation, works to make healthcare affordable, available and accessible to all sections of Indian society, with a special focus on the most vulnerable populations. True to its core culture - Thinks Big, Impact Communities, Display Entrepreneurship and Excellence, Display Humility, Collaboration and Empower - Swasthya has adopted a public private partnership model in its mission to bridge the last mile gap in primary healthcare. Collaboration with the government is at the center of its model, guiding most aspects of the decision making process: identifying geographies to intervene in, signing MoUs with relevant governments, delivering services and building capacities of communities and government workers.

For example, in Andhra Pradesh, Swasthya addressed health as part of a community development initiative. In partnership with the state government, the foundation undertook health, water and education interventions in around 200 villages. It trained local leaders to take over project administration eventually. It also collaborated with the government to run a health hotline, a mobile van service, and a telemedicine service, with government paying most of the operational costs.

Swasthya has so far developed technology-based solutions to help 13 state governments address the issue of availability and accessibility of quality healthcare.

#### ➤ Lack of an integrated/holistic approach

Rural development covers a number of aspects: agriculture and allied activities, non-farm livelihoods, sanitation, education, natural resource management and health, each requiring their own backward and forward linkages. Add to this the invisible but potent gender, caste and cultural contexts that need to be navigated to create positive impact.

Setting up a CSR program in this space through a narrow lens could provide middling returns on social investments and an average performance on human development indicators. A common reason for the failure of CSR programs is that the many moving parts and actors are working in silos, independent of each other and unaware of the others' efforts.

#### ***What should CSR focus on?***

Best practice in this area would suggest a long-term, overarching, holistic approach to rural development that could address that all linkages between these different issues, in program design and delivery. The interventions can be staggered and layered over time.

#### ➤ Not working at a minimum unit of scale

Companies often implement CSR programs across a few villages. The outcomes are not sufficient to demonstrate the effectiveness of program design, strategy or implementation process or to create replicable models. The lack of scalable design implies that while there may be many successful pilots, models that can positively improve rural indicators and make a dent in the national agenda are few.

### **What should CSR focus on?**

For programs to be successful in this space (given the diversity and enormity of structure, actors and issues), a minimum critical unit of scale is advised. Implementing programs at the block level could yield sufficient size for further decision-making.

## **D. Collective Impact - an innovative model for CSR programs in rural development**

This article advocates a 'collective impact' model for rural development. Built on the principles of structured collaboration, this model leverages the core competencies of each of the partners to support one specific component of the program, while sharing a common vision and impact metrics.

Executing holistic rural development programs at scale requires resources (both financial and non-financial) that could be beyond the capabilities of any one funder. Additionally, being the sole funder of a large rural development program may be too much of a risk for any one company, similar to the concern that an agency would have in being the sole implementation partner for any comprehensive program. Collective impact models can have significant wide-scale impact on complex, interconnected rural development issues.

Collective Impact, as articulated by Kania and Kramer in 2011, is differentiated from other collaborative models through essentially five principles or conditions:

#### **Common agenda**

- All participants have a shared vision for change including a common understanding of the problem and a joint approach to solving it through agreed upon actions

#### **Mutually reinforcing activities**

- Participant activities are differentiated while still being coordinated through a mutually reinforcing plan of action

#### **Continous communication**

- Consistent and open communication exists across many players to build trust, assure mutual objectives, and create common motivation

#### **Shared measurement**

- Collecting data and measuring results consistently across all participants to ensure efforts remain aligned and participants hold each other accountable

#### **Backbone support**

- Separate organization(s) with staff and a specific set of skills to serve as a backbone for the entire initiative, and coordinate participating organizations and parties

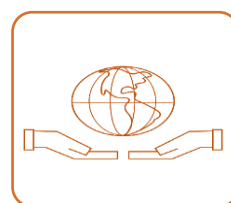
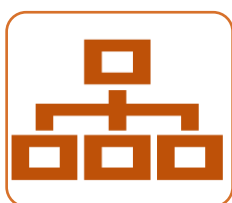
## Applying Collective Impact Model to Rural Development

### ➤ Who Can Participate?

While the model can be adopted by anyone interested in rural development, it is well suited for the following stakeholders:

- Companies
  - Those with a large regional footprint (eg. a heavy engineering company with multiple locations pan India)
  - Companies with a significant hinterland presence such as an extractives firm
  - Companies that are co-located in geographical clusters like industrial zones to drive development in their common location
  - Companies with strategic interests and business competencies in specific causes, for example, FMCG companies interested in rural entrepreneurship or a fertilizer company interested in agri-productivity or a power company interested in off-grid energy
  - Companies with catalytic competencies such as technology that cut across various causes
- Implementation partners
  - Local NGOs that have strong community connect and relationships concentrated in specific areas
  - Expert, larger NGOs or foundations with domain expertise in specific causes such as leadership, education, health etc. to provide technical assistance to the local partners
  - Social enterprises willing to expand to rural and bottom-of-pyramid markets
- Other stakeholders
  - Local and state governments in their development efforts
  - Social research organizations for establishing measurement systems and documenting the challenges, best practices and case studies for consumption by the wider ecosystem

### ➤ What Does It Entail?



#### Backbone Organization

- Identifies and convenes partners
- Co-designs the program
- Provides project implementation and capacity building support to all

#### Government

- Provides relevant permissions
- Enables scale and replication to other geographies
- Provides easy access to government schemes

#### Company

- Provides financial resources in terms of CSR funds
- Provides non-financial resources such as technical expertise, aligned to their business competencies

#### NGOs/SEs

- Implements all or specific components of the program
- Mobilizes and empowers communities

In the framework of a Collective Impact model for rural development, a power company can leverage in-house technical expertise both in manpower and knowledge, to build a decentralized minigrid that would provide reliable access to electricity, necessary for the delivery of the fundamental services such as health, education and additional livelihood generation. For a fertilizers company, the model allows them to empower the communities with better farming practices and water conservation methods. A FMCG company can leverage its expertise in channel distribution to create local entrepreneurs to diversify livelihoods. Similarly, NGOs and social enterprises could use their expertise to execute portions of programs relevant to them.

The components of the program would depend on local needs and contexts. Roles of companies could vary from short-term to long-term, from financial funding to non-financial resources, from supporting service delivery to capacity building. By spreading the risks and benefits, the collective impact model offers various engagement strategies to companies, without compromising impact. By pooling resources while maintaining independent attribution and visibility on causes, the model allows these companies to comply with Section 135 while realizing sustainable impact, which is greater than isolated implementation.

➤ *What is the role of the Backbone Organization?*

The most important cog in the wheel is a neutral and credible backbone agency that is responsible for the entire initiative. The backbone agency coordinates, designs, negotiates, maintains continuity and monitors. The specific organization that has to coordinate between multiple companies,

## Case Study 3

### Collective Impact in Rural Development - Transform Rural India (TRI)

TRI is a civil society initiative to bring about a transformation in rural lives. Strongly rooted in its founding philosophy of 'change needs to come from the communities themselves', it aims to effect inter-generational equity in remote rural geographies, by bringing together multiple stakeholders such as communities, NGOs, government, each having a defined and complementary role to play.

It is supported by Tata Trusts, the Ikea Foundation and Azim Premji Philanthropic Initiatives. Acting as a backbone agency itself, TRI has two other core partners to oversee implementation of interventions and research and impact reporting. It is steered by Program Guidance Council, comprising frontline NGOs working directly with communities. There are specific thematic resource NGOs for health and education strategies.

TRI works on all aspects of rural development:

- Mobilizing village communities to participate in the program and take ownership
- Enhancing agriculture and allied livelihoods by developing agro entrepreneurs and providing end-to-end solutions for the value chain, including technology, capital, access to inputs and market linkages
- Supporting entrepreneurial models for provision of health-care, nutrition and school education and ensuring support for capacity building of local providers
- Engaging state governments, ensuring their interest and participation in integrated village development
- Augmenting state capacity by constituting a Program Management and Support Unit at the state level to track progress of the initiative

TRI pilots today extend to 17 blocks; each block typically covers 130-150 villages.



implementation partners, community and the governments (both state and local) to achieve outcomes on multiple social and economic parameters, needs to be of sound credibility to win the trust of all the stakeholders and work with them throughout the project lifecycle.

## **Conclusion**

India stands at the cross roads of development once again. On one hand, there is growth in the services sector and on the other hand, the nation faces widening income inequality, a deep urban-rural divide, and the farming sector, the mainstay of rural India, is in distress. Against this backdrop, Samhita's insights on how to approach rural development in CSR aims to empower decision-makers in the CSR space to build and implement effective, impactful and scalable programs in rural development, rising up to the challenge offered by nation building at this juncture. The strategies and steps that the nation and the different actors in the social sector ecosystem take will have to be cognizant of the urgency and complexity of the situation and the necessity of equitable and just development for all sections of Indian society.