Sustain Labs Paris
Transforming Organisations to be Responsible and Profitable

Develop more Public Private Partnerships in a year of lean CSR spending

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20.33% of listed Indian companies have reported losses for FY 2019-20. This pushes down their financial liability of contributing to Corporate Social Responsibility this year. Further, the data we gathered from CMIE showed that 43.8% companies have reported losses in Q1 of FY 2020-21 which corresponds to the period of the meteoric spread of the Coronavirus from 2280 cases on 1 April to 220546 cases on 30 June in India. In fact, as what might be a direct economic consequence of the pandemic, our analysis has showed that 19.65% of Indian companies who were profitable in Q4 2019-20 have now reported losses in Q1 2020-21.

COVID-19 has evidently rubbed off on the economy. Government data shows that India's economy contracted by 23.9% in the first quarter of the fiscal year. All sectors of the economy, except agriculture, shrank in the first quarter and this is likely to worsen as the year progresses. The government will need corporates to contribute in fighting the pandemic and also in the post-COVID recovery.

However, companies are incurring losses too such that CSR spending will dip even further. This means that CSR funds would shrink at a time when private sector contribution to society is needed the most.

So far CSR spending is perceived as the primary medium for the private sector to contribute to society in India. But ironically, as we are seeing during the pandemic, the dependence on CSR is hardly sustainable.

In view of this, we need to lean towards structuring more public private partnerships for corporate contributions to social good, rather than relying solely on CSR funds. When such partnerships are done well, they lead to more long term, stable, and inclusive solutions. How do we do so? First, it takes collaboration, trust and strong communication channels between business heads, public officials, nonprofit managers, and community members to work in partnership mode. In India, the private sector often hesitates to work in partnership with the government, as they often find PPP projects to be unnecessarily bureaucratic, less flexible, and unfavourably structured.

For example, after the Gujarat earthquake the reconstruction activities in the state totalled 985 crores of which 803.75 crores was spent on housing. The state government called out to corporate entities as well as NGOs to participate in several public private partnership projects to reconstruct devastated villages. A total of 106 organizations came forward to partner with the Government. Of

these, 80 were NGOs and religious trusts that undertook 247 devastated villages, while only 17 corporate entities came forward to take up 84 villages for reconstruction. Other corporate entities chose to contribute by simply donating financially, making in-kind material donations, and partnering with the NGOs instead of the government.

Second, there is a dire need to build state capacity to be able to structure viable public private partnerships. This includes skills in finance, legal matters, technical support and hand holding of government officials to engage with the private sector, but also a mindset change amongst public officials. The latter is because the culture of seeking CSR funds is so embedded in India that often there is little effort made by the government to partner with the private sector in a way that is mutually conducive for both parties and societal needs.

For example, during the pandemic, there has been hardly any attempt to think creatively about incentivising corporations to participate in the fight against COVID in India. Instead companies are mostly expected to help by contributing with funds to the PM Cares fund. Further, local politicians have gone looking for money from corporate houses in their constituencies and circles, leading to an unpredictable 'hit or miss' scenario. In fact, the private sector has even been forced and coerced by the government to give up assets in Mumbai and Delhi where the government set up temporary COVID care facilities. All this is far from working in partnership mode. Some companies such as Godrej Consumers and Wipro have indeed leveraged their products, infrastructure, and public outreach to fight against COVID in India. However such action taken by corporates has been predominantly ad-hoc and without any substantial partnership with the government. Instead, an example of a public private partnership would have been to offer credit TDR equal in value to that of the property that builders temporarily hand over for the government to use them as COVID care facilities. The credit TDR could to be used in future for subsequent projects developed by the builder. Such a public private partnership would incentivise the builder to give up his property now to the government free of cost, and also incentivise him to kickstart economic activity sooner by developing his next project.

Finally, public private partnerships work best when representatives of all entities speak to each other directly, consult each other, and navigate together through ambiguity during disasters such as the current pandemic. There is no need for the large number of CSR advisory firms that have mushroomed in the country, who in order to add value play middle-man in the process, often doing more damage than good. When entities across private sector, government, and civil society work directly together, there is collective learning and relationships built for the long term. On the other hand, in India many innovations come from a vastly under utilised set of people who are on the cusp of practice and research at universities. Greater involvement of universities in public private partnership projects in India will ensure that cutting edge research and innovation are embedded within such projects.

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