Poverty and Corporate Social Responsibility in Africa:
a Critical Assessment

by

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Abstract

The desktop study is on poverty and underdevelopment, which continues to be a matter of concern in the developing world. According to Chen and Ravallion (2008), about 1.4 billion people (one in four) lived on less than $1.25 a day in 2005. The above situation is likely to worsen in Africa where governments are failing to eradicate poverty alone. Giant transnational corporations (TNC) are increasingly called upon to champion poverty reduction in the continent. Notably, of the world’s 100 largest economic entities, 51 are giant TNCs and the world’s 200 largest corporations have combined sales that are greater than the combined GDP of all countries in the world. This desktop research assumes that bodies corporate are the key institutions for eradicating poverty in Africa; and so are called upon to make a significant contribution to the society that they operate in and depend upon for their economic and financial might. More specifically, this paper examines the role of giant TNCs in poverty reduction in a continent that has high poverty levels but endowed with plentiful resources.

Keywords: Africa, corporate social responsibility, poverty, transnational corporations, giant

1.0 Introduction

Poverty and underdevelopment are a nagging problem in Africa. There are contestations about the causes of the problem. For instance, Mbaku (1998) and Pillay (2000) attribute the problem to corruption, Zondi (2009) to colonialism and imperialism, Chiroro et al (2009) to economic mismanagement, and protestant churches to sin. According to Stewart (2004), 80% of the countries that are worst performers on the human development index (HDI) have been at war in the past decade or are in political crises. Because of sixteen years of conflict, Sudan is one of the poorest countries in the world. Perhaps the separation of South Sudan from Sudan on 9 July 2011 will mark the beginning of true development in the two oil-rich countries. Elsewhere in Africa, the effects of conflict have been witnessed in the Democratic Republic of Congo, Sierra Leone, Tunisia, Ivory Coast and Zimbabwe. Dealing with the poverty and underdevelopment in the continent entails attending to the socio-economic factors that cause and perpetuate it. This study holds that Africa’s poverty and underdevelopment should be seen as a consequence of the exclusive socio-economic decisions and actions of giant TNCs. Rank is clear, ‘Structural failings of the socio-economic system are causes of poverty and underdevelopment’ (Decker, 2004). The current study examines the place of giant TNCs in the poverty and underdevelopment equation of Africa (the poorest continent in the world).

In this assessment a TNC is defined as a foreign corporate body whose presence is in more than one African country. Examples of foreign TNCs operating in Africa are; Coca Cola, PepsiCo, Anglo America, Mobile, and Unilever. The Sinopec, China National Offshore Oil Corporation (CNOOC) and China Minmetals Corp are leading the way in the extractive industries in Africa. Huawei Technologies, ZTE Corporation, Lenovo and TCL are rapidly invading the ICT sector in the continent. China’s state-owned China National Petroleum Corporation (CNPC) has invested in oil assets in Sudan and Chad while CNOOC has acquired energy interests in Morocco, Nigeria and Gabon. According to Alden and Davies (2006), China already procures 28% of its oil and natural gas from Africa; and Chinese TNCs operating in Sudan and Angola are the leading exporters to the country.

Notably, giant TNCs differ from small to medium (SMEs) business entities. According to Aras, Crowther and Vettor (2009), the difference between the two is largely of degree rather than kind. The dissimilarity between the two forms of businesses is also based on scale, governance, focus, work dynamics, capabilities, business constraints, approach to government-community relations, and points of engagement in CSR. Historically, the idea of social responsibility—a precursor of CSR is not a new phenomenon in Africa.
Social responsibility is as old as the people of the continent. Social responsibility was built in the *Ubuntu* tradition. The tradition claimed that people are people because of other people (*umuntu ngumuntu ngabantu*). Loaning out of cattle and equipment and work parties were ways of social responsibility. These ways of dealing with community poverty and underdevelopment among the African people is now fading out because of modernisation of the African value system. Now there is emphasis on individualism rather than communalism. The formation of business entities gave birth to CSR. The idea of CSR first appeared in the United States around the start of the 20th century. According to Carroll (1989), there are three critical turning points in the evolution of CSR. The first one is the Entrepreneurial era. During this era the American businessmen were building industrial empires. They abused their power and were found guilty of antisocial and anticompetitive practices. The USA government had to enforce laws whereby business had a role to play in society beyond profit maximisation. The Depression era of 1929-1930s was the second turning point. During that period, the economy of United States was dominated by large organisations and government passed laws to protect investors and smaller businesses. In addition, social responsibility of organisations was more clearly defined. The third landmark in social responsibility came during the Social era of 1960s. This period was characterised by social unrest in the United States. According to Aras, Crowther and Vettor (2009), government looked closely at organisational practices with a view to define whom businesses are responsible to. With time, businesses have accepted their CSR role. According to Porter and Kramer (2006), businesses are now realising that CSR can be more than a cost, a constraint or a charitable deed, as it can be a source of opportunity, innovation, and competitive advantage. The objective of such historiographies demonstrates that social responsibility is not new but has been in existence for a very long time.

Despite CSR’s old age, there is no universally accepted definition and scope of the concept. Moon (2000b) rightly observed that the conceptualisation of CSR is problematic and still evolving. CSR implies legal responsibility or liability; to others it means social responsible behaviour in an ethical sense; to yet others it means causal responsibility; while some simply see it as benevolence or philanthropy (Zenisek, 1979:359; Kirdahy, 2007a; Kotler & Lee, 2005:2). Visser (2008) defines CSR as a ‘formal and informal’ way in which businesses make a contribution to improving conditions for the regions in which they are operating. In a sense, CSR is about a company’s concern for such things as community involvement, socially responsible products and processes, concern for the environment and socially responsible employee relations (Aras and Crowther, 2008). The assessment adopts the definition of CSR by the United Nations (UN) and by the World Business Council for Sustainable Development (WBCSD) which regards CSR as the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life (WBCSD; 2005). The establishment of linkages with society allows greater freedom of operation and contributes positively to the image of the businesses. Thus businesses and social initiatives are intertwined. Lantos (2001) and Heap (2000) support this notion and stress that CSR should be a strategic function of business organisations.

### 1.1 The Problem

The study is concerned about giant TNCs’ responsibility to manage the impact of their activities on the socio-economic well-being of the people in Africa. Seemingly, the major goal of most TNCs is improving the environment in Africa for capital accumulation. Viewed from this perspective, any improvement in local people’s lives is incidental. While improved quality of goods and services is by no means less important in Africa, CSR has to engage with sustainable development. By and large CSR in Africa is on poverty alleviation (Fox, 2004; Kivuitu et al. 2005, Blowfield, 2005; Jenkins 2005, Blowfield & Frynas, 2006; Prieto-Carron et al. 2006). The current study argues that giant TNCs need to go beyond poverty alleviation to sustainable poverty eradication in the continent. Notably, the yester century revolutionary movements in Africa believed that colonialism was the cause of the continent’s chronic poverty and underdevelopment. Several decades into self-rule, Africa is still poor and underdeveloped. It is now proving that although important, political independence alone is not enough to deal with the developmental ills in the continent. The debate on the role of large TNCs in development is one factor that largely remains unsolved for Africa’s development - hence the need for this study.

### 1.2 Research Objectives

First, the assessment sought to expose the nexus between CSR and poverty in Africa in relation to the business activities of giant TNCs on the continent. Second, the assessment endeavoured to redefine the role of giant TNCs in the fight against poverty in Africa.

### 1.3 Research Questions

Two cardinal questions guided the assessment. First; what is the nature of the link between giant TNCs and Africa’s development? Second, how can giant TNCs ensure sustainable development in Africa?

### 1.4 Research Methodology

The current assessment is qualitative in nature. The researcher reviewed literature on the subject at hand. Data were collected from literature on activities of giant TNCs in Africa. The data were divided into two distinct sections. First, the assessment focused on the nexus between giant TNCs and Africa’s development.
The second section is the ‘way, forward’. In that section the data were critically analysed under the following sub themes: Increasing Corporate Accountability by giant TNCs in Africa, Giant TNCs, Research and Education in Africa, Giant TNCs and Financial exclusion in Africa, and Giant TNCs and NGOs in CSR for Africa.

1.5 Conceptual and Theoretical Framework

No one theory of poverty and underdevelopment has emerged that either subsumes or invalidates the others. This discourse approaches the issue of poverty and underdevelopment from a liberal approach. The perspective explains poverty and underdevelopment as an outcome of socioeconomic processes. Poverty and underdevelopment is regarded as not pathologic but an outcome of the interaction between the global socio-economic and political factors. In this perspective, the structure and organisation of the international economy is seen as a replica of the structure and organisation of the international economy of giant TNCs because the organisations wield the power to influence national policies. Clearly, giant TNCs play a direct and indirect role in shaping the direction of socio-economic and political order in Africa. Dealing with the poverty and underdevelopment in Africa entails attending to the activities of giant TNCs because the organisations are powerful actors and standard bearers in the world order.

Two theories attempt to explain the role of giant TNCs in poverty reduction in Africa, namely the conservative theory and the liberal theory. The former theory holds that poverty reduction must be the responsibility of Government using funds that it collects through taxation and from aid. Bodies corporate are accountable to shareholders whose overriding concern is the profitability of the business. For the Economics Nobel Prize winner, Milton Friedman, social issues such as poverty and underdevelopment are not the concern of business people; there is only one social responsibility of business, which is to use its resources and engage in activities designed to increase its profits (Friedman, 1962). According to Friedman, there is nothing that would destroy the private enterprise system more than a real acceptance of a social responsible doctrine; business is required to earn profits and add to the bottom-line and that is all business can and is required to do.

The above perspective concedes that giant TNCs lack the aptitude to handle social activities. Pursuing social agendas by business may have a damaging impact on shareholders by generating lower levels of profitability, leading to a loss of incentive to invest. A loss of incentive to invest would affect the businesses’ potential to create wealth. When that happens, poverty affects all human beings. The assumption of the conservative theory to the responsibility of CSR in poverty reduction is that poverty should be corrected by the state, to which this responsibility has been assigned by the electorate. However, Africa’s poverty continues to worsen as evidenced by the obvious low per capita income, low life expectancy, disease and hunger. Most states in Africa lacked and continue to lack the craft literacy and competencies to deal with poverty and underdevelopment (Crane & Matten, 2004). In the meantime, African countries are being exploited for the benefit of the giant TNCs.

The liberal theory, on the other hand, holds that the business community should contribute in poverty reduction. The theory has been influenced by governmental failure (George, 2006(a): Beck, 1992) and by an unprecedented rise in the powers of the businesses (Korten, 1995; Klein, 2000); transnational corporations (Hertz, 2001b) account for 25 percent of the earth’s GNP. With such huge resources at their disposal, there is an increasing recognition that with global influence comes global responsibility, as States and international agencies are failing to eliminate the poverty and underdevelopment in Africa (Heap, 2000). This increasing power and overall control over resources, has led internal and external stakeholders to develop high expectations with regards to the social contribution of business organisations, over and above their profit-making objectives. Society (Carroll, 1999) expects businesses to go beyond mere compliance with law and regulations; they are expected to recognise and respect new or evolving ethical norms being institutionalised in society. In light of the above view, the call for large TNCs to take a leading position in the fight against the poverty and underdevelopment in Africa is justified. Notably, giant TNCs survive in a world order that allows them to operate. In fact, the CSR of the giant TNCs remains one of the most important issues for Africa’s development. It is therefore not surprising to see the CSR of giant TNCs being called to attend to Africa’s poverty and underdevelopment as well as attending to issues such as climate change and human rights. By so doing, giant TNCs will be paying for a cost for exploiting the environment in pursuit for wealth in Africa.

The success and sustainability of Africa’s development programmes will depend on how businesses attend to the following types of social responsibility; voluntary philanthropic, ethical, legal and economic. A more precise conceptualisation of the four interconnected types of social responsibility has been explained by Carroll (1990. The first type is voluntary philanthropic. This type of social responsibility refers to business contribution of financial and human resources to the community and society to improve quality of life and welfare in the society. This is the most important of all the four types of social responsibility and should form the basis for giant TNCs CSR in Africa. The second type of CSR is economic. This type of social responsibility is about the production of goods and services that society needs and wants and to be profitable. This is the second most important type of
social responsibility for Africa’s development. It must be built on voluntary philanthropic responsibility. The third type of CSR is legal in nature. This type of social responsibility requires business to obey the established laws and regulations and reflect society’s codification of what is right and wrong. Apparently, giant TNCs contribute in the policy making process. The fourth CSR type is based on ethics. This social responsibility relates to business obligation to do what is right, just and fair and avoid harm – behaviour and activities as codified in law. The ethical type of social responsibility compels people to realise that making higher and higher profits has no end; the world we live in is just one and we are actually all on the same boat. Pursuing profit objectives without taking into account the rights of human beings (particularly those in the Africa) and without considering the continuity of the world will cause a big collapse to the whole world and the profits will not be able to redeem the world.

2.0 Giant TNCs and Africa’s Development
2.1 The Nexus between Giant TNCs and the Economies in Africa
Economies that are dominated by giant TNCs are subject to systemic deficiencies. Such economies are inflicted with inherent problems and thus fail society. This is an indictment that this assessment explores. Giant TNCs influence the supply chain relationships, as well as the development of legislation. For instance, the IMF and the World Bank have in the past imposed structural adjustment programmes on Africa, which exacerbated the poverty and underdevelopment in the continent. Clearly, the presence of giant TNCs in Africa has a significant impact on the continent’s economy. The impact can be classified into subversion of international trade, centripetalism and short-termism. According to Cowling and Sugden (1994), subversion of international trade refers to a situation where giant TNCs rely heavily on their ability to trade between their production units in different nations. The effect of subverted international trade is that profits that are produced in Africa by Africans using African resources are siphoned away from Africa in the form of remittances back to the companies’ home countries. This reality is far from the picture imagined in mainstream economic theory, where international trade is characterised as a means by which independent firms obtain access to a market and hence compete with endogenous producers to the benefit of all. The arrangement is better explained using Rodney and Andre Gunder Frank’s dependence theories. According to these theorists, Africa’s poverty is an engineered outcome. It is caused by the exploitative relationship between the developed world and the underdeveloped world. According to Samir, Chitala and Mandaza (1987) and Rodney (1972), it is this economic order that underdeveloped the continent of Africa. The dependence theorists suggest that severing the relationship between the developing and the developed countries is what would bring about true development to the continent.

Of course, the proposition is too theoretical and so difficult to implement. Africa needs giant TNCs (from developed countries) as much as the bodies corporate need Africa, at least for now. In centripetalism the concentration of strategic decision-making lies in a handful of the world’s giant TNCs or major cities – where decision makers of giant TNCs are located. These cities or TNCs form the dominant economic power. These institutions (giant TNCs or major cities) siphon off resources from Africa, thereby reducing the capacity of Africa to exploit its own resources for its economic development. According to Cowling and Sugden (1994), the effect of centripetalism is that it retards the political, social, and cultural development of the continent. Centripetal economic tendencies become centripetal political, social and cultural tendencies, the whole system feeding on and reproducing itself. In the process, Africa’s development agenda is annexed to the strategic choices and decisions of the giant TNCs. There is little doubt that Africa will throb into prosperity if the giant bodies corporate chose to eradicate the poverty and underdevelopment in the continent. Similarly, Africa may slide deeper into poverty and underdevelopment if the giant TNCs chose that direction for the continent. Short-termism holds that Africa is unable to eradicate poverty on its own. If Africa could sustain its own development, the continent could have long developed considering the vast economic and human resources that exist in the continent. There is no doubt that the troubled spots such as Zimbabwe, Somalia, the DRC and Sudan are willing to develop. However, the basic difficulty of these countries is that strategic decision-making in production is based on the wishes of the elite, and generally of elites in a different locality- the giant TNCs. Crucial decisions about Africa’s long -term development tend to be made by the decision-makers located in the giant TNCs. The problem of short-termism is that the giant TNCs lack commitment to Africa’s development as evidenced by the deindustrialisation of economies such as that of Zimbabwe and Libya in the name of regime change. It is important to note that the relationship between giant TNCs and governments in Africa is very complex and controversial. For instance, TNCs routinely bargain with governments for measures that enable TNCs to increase their profits. The measures include the introduction and maintenance of favourable investment subsidies, infrastructural support, employment legislation and tax regimes. In their bargaining (Crowling and Sugden, 1994) TNCs divide and rule the African economies by reminding governments that they can relocate and produce from other parts of the continent or world. In that context, governments in Africa are forced to compete against each other under threat of losing a transnational’s investment. The divide-and-rule strategy has the effect of dividing Africa for the benefit of the giant TNCs.
For instance, during the fast track land reform in Zimbabwe, many transnational companies relocated to countries within Africa. Economic sanctions have been levelled on African countries as a way of forcing them to yield to interests that are alien to Africa. It is doubtful if the regime change agenda in Libya, Zimbabwe, Ivory Coast, Egypt and Tunisia has been initiated by the people of these countries. Chances are high that the agenda could have been initiated and sponsored by the giant TNCs through their political leadership in the EU and USA.

2.2 Poverty Reduction and CSR in Africa

Giant transnational corporations have a leading responsibility to fulfill in the anti-poverty campaign in Africa. This call comes in the realisation that third world economies have failed the communities they purport to serve and that they will inevitably continue to fail unless fundamental changes are introduced. The CSR of giant NCs needs to broaden its scope to include not only aspects of corporate conduct that impinge on social, environmental and human rights issues, but also the role of business in relation to poverty reduction in the continent (Prior- Carron et al, 2006). The World Bank asserts that the impact and involvement of CSR in Africa’s poverty reduction is still patchy (Reinicke, 2003). In concurrence with the above view, a Human Sciences Research Council (HSRC) national survey on social giving in South Africa found that corporate philanthropy stands at an estimated R5 billion per year. The study also established that things do not seem to be getting substantially better for the very poor in the country (Greater Good South Africa, 2009).

It is good for Africa to note that CSR has already achieved a new focus and prominence at the highest political levels. At the G8 Summit of major world leaders in 2007, CSR clearly emerged from the shadows as a secondary global concern, entering the spot light as a primary international policy issue of sustainable development. Accordingly, the G8 leaders committed their companies to high level dialogue with the governments of high level dialogue with governments of major emerging economies such as South Africa. It remains to be seen if the G8 countries will be able to implement their plans for South Africa’s development. Several Eurocentric strategies have been put in place to facilitate the development of Africa- the disappointing revelation is that most of them have failed to yield the desired result. The New Partnership for Africa’s Development (NePAD) is one of them. The assessment contends that it is high time giant TNCs put extra effort in the fight against the poverty in Malawi, Zimbabwe, Ethiopia, Lesotho and the other parts of the continent. The need for giant TNCs to engage in Africa’s development is more appropriate today as the continent tries to recover from the devastating 2008-2009 global financial and economic recession.

Notably, giant TNCs are increasingly gaining power and influence over policy decisions of the developing countries. For instance, the IMF and the World Bank have played a major role in shaping the social and economic directions of Africa. Their power and influence emanates from their being the primary creators of wealth for states and individuals. According to Decker (2009), his influence and power is required in the continent. As providers of goods and services, as employers, as investors, and increasingly as shapers of developing countries’ policies, businesses are central to poverty reduction in the continent. Making Africa a better place to live depends on the contribution and generosity of businesses. There are spinoff benefits that businesses can enjoy by integrating Africa into their development processes. By supporting broader economic and social development of the continent, businesses turn the poor and the excluded people into customers and employees, and neglected areas into new markets and new sources of supply.

Poverty eradication in Africa may result in a healthy population which may compel a reduction in social welfare costs to governments and the donor community. For the giant TNCs operating in Africa, this may compel governments to reduce taxes on businesses – which may translate into higher profits for them. Thus, investment in CSR contributes to the creation of a safe and stable environment in which giant TNCs will be able to operate. In a sense a huge budget allocation to CSR by giant TNCs is both a long-term saving and an investment. Investment in CSR also provides giant TNCs with a license to operate at societal level; which inevitably leads to a positive public image amongst stakeholders such as government and the local community. The failure to invest adequately in CSR may increase the incidence of poverty-linked social problems such as prostitution, dishonesty, robbery, corruption, diseases and political uprisings. These negatives have a negative effect on the economies of the giant TNCs in Africa.

3.0 Which way Forward?

The way forward to Africa’s development is complex and multi-facetted. The study pays attention to the major aspects for a speedy transition of the continent to economic freedom. The assessment proposes the following areas for giant TNCs support; increasing corporate accountability, CSR and financial exclusion, and TNCs and NGOs relationship in CSR. A thorough and adequate attention to the above issues is likely to fast track Africa’s development.

3.1 Increasing Corporate Accountability by giant TNCs

The impact of CSR on Africa’s development is closely related to principles of good practice, which are (Crowther and Aras 2008) sustainability, accountability and transparency. The giant TNCs are expected to adhere to strategies that do not compromise Africa’s right to exploit its resources for its own development. The notion is that the
organisations should acknowledge their impact on the external environment and report how they are accepting their responsibility to all the relevant stakeholders (accountability). There is no clarity on the extent to which giant TNCs are accountable to Africa’s development. The assessment argues that the impact of giant TNCs’ actions (positive and negative) should be clear from its reporting and not be disguised. The need for transparency and accountability of businesses was mooted in the 20th century. In this regard, David Rockefeller, cited in Gray, Owen and Maunders (1987: ix) wrote, ‘… because of the growing pressure for greater corporate accountability, I can foresee the day when, in addition to the annual financial statements certified by independent accountants, corporations may be required to publish a social audit (report), similarly certified.’

The above statement was the precursor of the movement advocating for CSR transparency and accountability. In order to achieve this, even in those early years, Rockefeller predicted that audit verification of CSR disclosures would be desirable. Businesses need to recognise their role in securing a sustainable future for humanity thereby contributing to efforts to avoid a pending socio-economic and environmental crisis (Eccles, Pillay & De Jongh, 2009). This increasing emphasis on corporate morality and accountability has seen companies grappling with the challenge of ensuring that future generations are not burdened with the residual fallout of unethical, amoral or unsustainable business practices. In light of the above assertion, giant TNCs need to be advised to be active participants in the development of Africa. One is tempted to conclude that Africa may at some point in the future be forced to take revolutionary steps against the giant TNCs. The land seizures in Zimbabwe and other African countries is a pointer to a hostile future business environment for the giant TNCs operating in Africa. The people in Africa seem to be awakening to a new demand for accountability in how resources in the continent are exploited.

According to Elkington (1994), corporate bodies should account for the “triple bottom line”, including measuring the ethical, environmental and social impacts of their operations. Despite an increased demand for corporate accountability for the impact of their actions, or inaction, on society and the environment in Africa, the emerging dominant practice is through voluntary disclosure. This however, increases the risk of companies selectively only disclosing information, placing them in a favourable light (Eccles et al., 2008:8). Stakeholder demands for comprehensive and transparent CSR-related disclosures and accordingly increased organisational accountability raise concerns about the completeness, validity, accuracy and reliability of CSR disclosures. In support of the above idea, Teoh and Shiu (1990:75) suggest that many CSR disclosures are simply “window dressing” or “green-washing”. The assessment contends that such a practice may have short-term gains for the giant TNCs in Africa.

Poverty and underdevelopment in Africa might get to a point where the people of Africa demand that TNCs account for the period of continued green washing by the giant TNCs. Governments that will fail to support their people in the fight for disclosure might face uprisings from their people. Giant TNCs need to be proactive as time shall come when the people in Africa will demand for action.

The fact that some giant TNCs are not necessarily good corporate citizens requires that CSR disclosures should be verified in line with Africa’s requirement for balanced corporate reporting and the need to ensure the completeness and integrity of social and environmental disclosures. Governments in Africa protract as the best instruments for putting checks and balances on the activities of the giant TNCs. The underreporting by the business sector is illustrated by Manetti and Becatti (2008) who argue that the credibility gap characterising CSR reporting can be bridged by professional auditors providing CSR assurance. Similarly, Nitkin and Brooks (1998) argue that sustainability auditing and reporting reflect the growing realisation that it is necessary and desirable for companies to understand the impact of their operations upon Africa. Effort is required to evaluate the full life-cycle consequences of their products and services across international boundaries.

CSR assurance facilitates taking accountability beyond shareholders, to include stakeholders. In this context, the economies in Africa are important stakeholders of the giant TNCs. According to CorporateRegister.com (2008), it is imperative that stakeholders have faith that the assurance has been conducted with integrity, independence and impartiality and that the assurance provider has the requisite skills and knowledge to conduct the assurance engagement. In response to this demand, a body of knowledge on CSR assurance is developing, providing a range of different assurance levels (Nitkin & Brooks, 1998). Despite CSR reporting steadily gaining momentum, the majority of reports are still not independently reviewed, or assured. This throws a challenge to governments in Africa.

3.2 Giant TNCs, Research and Education in Africa
Research is essential for Africa’s development. Giant TNCs are called upon to fund research into Africa’s poverty and underdevelopment. The university sector in Africa is ideally positioned to take up the challenge of coming up with Africanised solutions to Africa’s development challenges. Indeed academics are ideally suited in this field to take a long-range view of a relevant arena, identify deeper themes and patterns, test prevailing frameworks and mindsets, conceptualise the relevant issues and their relation to one another. Academics are also considered useful in distilling relevant practices from the prevailing literature and practice, articulate competing policy options and arguments, and critique prevailing practice. For instance, some practitioners believe that the modernisation of Africa is responsible for
the continent’s poverty while others believe that without modernisation, Africa would remain poor and underdeveloped. Academics are therefore called upon to use their intelligence to come up with a better socioeconomic and political mix for Africa’s development.

In concurrence with the above idea, Aras, Crowther and Vettor (2009:49) have this to say, ‘...universities alone or in collaboration with other societal institutions are to put the right kinds of multidisciplinary research vehicles and academic expertise in the right critical mass and scale needed to address major societal challenges from all relevant angles.’ In this way, universities can make significant contributions to CSR of giant TNCs for Africa’s development. Such researches should appreciate the fact that governmental, business, and community sectors are all important members of national and transnational CSR networks for the continent. For the above to be achieved, academics require state of the art expertise and machinery to conduct evidence based research, theoretical research, and cross-disciplinary research. Obviously funding to support research is in short supply in most African countries. In this regard giant TNCs are expected to volunteer their funds to research into Africa’s developmental problems.

Seemingly, the policy makers and educators in Africa are faced with the arduous task of devising a school curriculum to meet the sustainable developmental needs of Africa. The present conditions are influenced by what has taken place in the past. The integrative philosophy of traditional education in developing countries was supplanted by the elitist and capitalist philosophy of colonial education, whose emphasis was on competition and survival of the fittest. There was little emphasis on CSR because businesses were more concerned about profit for shareholders and now financial exclusion is recognised as a key CSR issue in the financial services sector (Forge Group, 2002).

In order to attain sustainable poverty reduction in the continent, the education component should be attendant to such social issues as HIV and AIDS, corruption and crime. Africa has the highest prevalence of the HIV and AIDS (Forgy & Mwanza, 1994). Research into the right education curriculum is required if the country is to outgrow this challenge to development. Governments in Africa may not achieve this goal on their own hence the need to involve the giant TNCs through CSR. A study by the UNDP South East Asia HIV and Development Programme in 2004 established that 69 percent of the people in countries most affected by HIV and AIDS live in Africa. The effect of HIV and AIDS on poverty is that it depletes savings. The cost of health care and funeral expenses often erode community savings and livestock. According to Guerny’s study, medical treatment and mourning costs together exceed three times the average annual income, creating long-term consequences for Africa (Guerny, 2002). Many studies have shown that HIV and AIDS have a negative impact on productivity, savings and investment - which are key aspects of development. Per capita income growth may be reduced as a result of the reduction in savings and productivity.

A pro-development curriculum should seek to eradicate corruption with the help of the business sector. Corruption has been an important issue in public and scholarly debate. It is the abuse of public power or organisational resources for private or personal benefit, and is commonly understood to be highly undesirable for any societies (Doh, Rodriguez, Uhlenbruck, Collins & Eden, 2003; Lange, 2008). The damage caused by corruption includes the misallocation of resources and increasing poverty and inequality (O’Higgins, 2006). Corruption undermines the economic and political foundations of a modern state and hinders the growth of trade and investment needed for Africa’s development. This is particularly true in countries where fragile public institutions, weak civil society organisations, lack of independent judiciary, and where civil servants are inadequately paid. The causes and effects of corruption and the strategies of corruption prevention are issues that are increasingly on the agendas of policymakers and development specialists. Giant TNCs need to take a leading role in convincing political leaders in Africa to step up efforts to eradicate rent-seeking behaviour. However, the recommendation may be misplaced because most TNCs are considered to be unethical. It has been reported that TNCs have been implicated in high level corruption especially in arms deals.

CSR and governments need to fund the implementation of a people-oriented anti-corruption education campaign. Some of the strategies for combating corruption are compliance-based. These measures focus on extrinsic regulations and incentives, such as; bureaucratic controls, codes of conduct, and legal and regulatory sanctions. Others are integrity-based, and focus on intrinsic motivation, such as societal ethical climate and self-controls. According to Mbaku (1998), the effort to reduce the problems of corruption will naturally help to consolidate democracy and the rule of law while at the same time preventing the illicit enrichment, embezzlement, bribery that are rampant in many African countries. It is not this assessment’s intention to suggest that corruption is only found on the African continent. Far from it, corruption is a global issue and TNCs need to be upright themselves for them to be able to preach the gospel of anti-corruption.

The multinational corporations operating in Africa are better placed to deal with the notion of business cooperatives in Africa. Poverty reduction strategies should be championed by the Africans but supported by the giant TNCs. Notably the concept of collaborative work has always characterised the people of Africa. The pan-Africanism philosophy of Kwame Nkrumah,
the work parties in most African communities and the Ubuntu principle are all ways of demonstrating how Africans have been united for development. The modern world demands that Africa should neglect its cultural and traditional values in favour of those from the west. The modernisation process has had a damaging effect on Africa’s development. In line with the Marshall Plan of 1948, Africa needs financial support from the giant TNCs. However, foreign aid should not undermine the sovereignty of the recipient community as was the case when African countries signed the World Trade Organisation (WTO) agreements in 1995. By signing these agreements, governments abdicated a lot of their power to control their domestic economies and the development of Africa (Chimanikire, 2007).

3.3 Giant TNCs and Financial Exclusion in Africa

Since 1990 accumulated global wealth has just about doubled, yet almost the entire Africa survives on less than two US dollars per day. According to Aras, Crowther and Vettor (2009), in Africa poverty continues to be a major obstacle to sustainable development, environmental security, and global stability. It is only economic growth which is all encompassing and reaches all the people in Africa that would eradicate poverty. The discourse assumes that only giant TNCs have the financial might to empower Africa to work itself out of poverty and underdevelopment. Financial exclusion of most African states is an important dimension of social exclusion and is now a major economic, social and political issue worldwide (Marshall, 2004; Devlin, 2005; Leeladhar, 2006; Kempson, 2006). According to Decker (2004) financial exclusion is very much a feature of the CSR agenda of banks in developed countries.

Social exclusion generates conditions which promote conflict, especially where political exclusion accompanies economic exclusion. Social exclusion is primarily responsible for the continent’s development in the developing countries. Demirguc-Kunt et al (2008) conclude that combating Africa’s poverty and enhancing social inclusion are critically dependent on improved access to financial services. Although often associated with poverty, social exclusion is not poverty, and many rich social groups do experience exclusion because of factors such as gender, education levels and religion (Decker, 2009). The costs and consequences of financial exclusion are significant in poverty, economic growth and social cohesion. Muhammad Younus won the Nobel Peace prize in 2006 in recognition of his works on poverty reduction and financial empowerment in fostering social and economic justice in developing countries.

Financial exclusion of the African states is characterised by having no bank account, a lack of affordable credit, no access to money advice and no insurance. The reality of financial exclusion is often linked with poverty, ill health, low levels of education, unemployment, and family breakdown, exploitation from illegal and predatory lenders, and exposure to crime. The extent of financial exclusion varies around Africa, but it is worse in countries where the financial system is less developed and illiteracy is high (Honohan, 2006). It is also worse in countries that are under economic and financial sanctions. Zimbabwe has suffered the worst economic meltdown under the current sanctions since its independence from Britain in 1980. The above idea form Honohan (2006) demonstrates the link between poverty, illiteracy and financial exclusion. Thus, dealing with Africa’s poverty is a complex matter and CSR together with other stakeholders needs to approach it from a broad perspective. Amaeshi et al (2007) refer to illiteracy-driven financial exclusion, emphasising the pivotal role that the high rate of illiteracy in sub-Saharan Africa plays in creating barriers to development. In the developed countries such as the UK, the level of illiteracy of persons above 15 is nil but in a developing country such as Nigeria, Zambia and Malawi the illiteracy rate rises dramatically (Decker, 2009). It is important to observe that the financial exclusion of the continent lies at the interface between the access dimension of CSR (distributive economic justice) and the social dimension of development; it also lies at the interface between CSR concerns in the marketplace and those in the community.

3.4 Giant TNCs and non-governmental organizations (NGOs) in CSR for Africa

In the current era, giant TNCs involve non-governmental organisations (NGOs) in the fight against the poverty and underdevelopment in Africa. The origin of NGOs was a response to the powerlessness of the Government under the laissez-faire system, and the possibility of an abuse of power on the part of business organisations, focusing on profit-maximisation and failing to take into account the needs and aspirations of the civil society. The relationship between giant TNCs and NGOs on the issue of CSR and Africa’s development is usually a compromised one. At times the two pursue mutually incompatible goals, which can lead to the development of hostile relationships between them. Most interactions between NGOs and the private sector have been primarily based on one-way gestures (Crane & Matten, 2004). A corporate philanthropic contribution to Africa’s development can be defined as ad hoc.

According to Elkington and Fennell (2000), businesses and NGOs both have everything to gain by collaborating in the fight against the poverty in Africa. The private sector is given a chance to demonstrate corporate philanthropy which contributes to enhance its reputation and credibility. Collaborating with NGOs also helps organisations in building a positive image. Consumers are showing that they are willing to support and to reward companies that prove they have a heart, and are not just profit-oriented corporate leaders.
Through collaboration, businesses will be able to take advantage of the social skills and grass-root level expertise and networks of NGOs. They will be spared of the need to commit and develop in-house capacities for the implementation and monitoring of Africa’s development projects.

NGOs have a lot to gain by collaborating with the giant TNCs too. Over and above the financial contributions and the material benefits in terms of product, equipment and use of the company’s assets, NGOs may also receive help from employees in the form of volunteering programmes. In fact, NGOs are increasingly realising that the ability of the State in helping them to reach their objectives is limited and are increasingly turning towards business organisations, which control the economy and the productive assets of a country (Elkington & Fennell, 2000). By using their links with the private sector, NGOs can also benefit from greater visibility, securing access to supply chains and to the wider business community (Heap, 2000). Prahalad (2004) concludes that NGOs, which initially considered the business sector as being heartless and greedy, are increasingly realising that business involvement is a crucial element in the battle against Africa’s poverty and underdevelopment battle.

However, the accountability of NGOs may need to be considered. The concept of accountability can be divided into two; namely downward accountability and upward accountability. On one hand, the primary purpose of upward accountability is to meet donors’ important needs, to understand how their funds are being used, and have confidence that they are being used effectively and appropriately. On the other hand, downward accountability concerns the extent to which NGOs are accountable to those lower in the aid chain (Africa). In the current context, downward accountability focuses on building relationships between NGOs and Africa so that beneficiaries perceive NGOs as legitimate representatives of their interests. However, there is no consensus on the extent to which NGOs may balance the interests of the giant TNCs and that of the beneficiary- African countries. Upward accountability is often unilinear-NGOs to giant TNCs. The above arrangement raises the question, to what extent are NGOs accountable to the people of Africa? Notably, the accountability reporting is based on the success or failure of development projects on pre-determined sets of activities and outputs, and the project outcomes are usually set by the giant TNCs. The practice may divert development practitioners’ attention away from changing the realities of the people of Africa. This comes as development practitioners concentrate on following processes largely determined by the giant TNCs rather than the impact of development projects on people’s lives. The refreshing thing is that giant TNCs have the technical and financial ability to keep NGOs on track to Africa’s emancipation from poverty and underdevelopment.

4.0 Summary
Formerly, Africa’s underdevelopment has been considered to be the responsibility of the state and the failures of states to deal with poverty lead to the resurgence of NGOs. Businesses were playing a minimal role in Africa’s poverty reduction hence, the issue used to be how businesses could cause poverty. Now business is increasingly portrayed as part of the solution to the problem of Africa’s poverty. This discourse discussed the role of giant TNCs in poverty reduction through their CSR. The discussion was premised on the liberal theory of CSR which regards businesses as part of the solution to Africa poverty. The theory is rooted on the assumption that business and society have a symbiotic relationship. The study was also approached from the perspective of the UN human rights. This assessment argues that businesses are citizens of the global community and that they have a moral responsibility of championing poverty reduction in the continent. The four main ways through which this task could be achieved is through the corporate transparency and accountability, restructuring of the education system, dealing with the financial exclusion of the Africa states. The other way is to strengthen the relationship between the giant TNCs and NGOs. The assessment argues that financial exclusion does not only restrict the growth prospects for financial institutions but as exclusion fosters poverty it can contribute to conflict which can lead to the disruption and complete breakdown of financial and business activity.

5.0 Conclusion
The study concluded that giant TNCs have a critical mass of economic and technical expertise. Their position and strength have been used in many instances to influence the political direction of nation states in Africa. The study also concludes that giant TNCs pursue capital accumulation agenda more than social agenda in Africa. With adequate political and economic will, giant TNCs can eradicate the poverty and underdevelopment in the continent. The best medium for achieving this goal is CSR. Governments in Africa are advised to formulate policies that ensure that giant TNCs participate fully in the fight against poverty and underdevelopment on the continent. Such policies should also empower indigenous business people to exploit the local resources for the benefit of Africa. This could be achieved through indigenisation of the economies in Africa. The Black Economic Empowerment affirmative action in most parts of the continent is a well received move. All the countries in the continent need to speak the same language if they are to win the support of the giant TNCs in empowering Africa to ascend out of poverty using local resources.
5.0 References


