



**Africa  
Study  
Group** | **Groupe de  
réflexion sur  
l'Afrique**

**Canada and CSR in Africa: Policy  
Recommendations for a Business-Positive  
Strategy**

**Africa Study Group  
November 2013**

# Table of Content

Executive Summary ..... ii

1.0 Introduction ..... 1

2.0 What is CSR? ..... 1

3.0 Importance of the Corporate Dimension of Social Responsibility..... 2

4.0 Canada's Current Stance on CSR..... 3

5.0 Why a CSR Strategy? ..... 4

6.0 Recommendations..... 5

## Executive Summary

The Africa Study Group (ASG) presents recommendations to the Government of Canada for the formulation of a revised Corporate Social Responsibility (CSR) Strategy. This paper is entitled *Canada and CSR in Africa*. ASG is a non-partisan, not-for-profit organization affiliated to the Canadian International Council. Its members have a deep breadth of expertise on Canada-Africa relations. These recommendations are very timely as the Department of Foreign Affairs Trade and Development (DFATD) is carrying out an evaluation of the Canadian CSR Strategy (March 2009) entitled *Building the Canadian Advantage for the Canadian International Extractive Sector*.

The ASG recommends that:

1. DFATD explore the feasibility of broadening the coverage of a new strategy to encompass not only the extractive sector but also other sectors of the economy in which Canadian companies are investing abroad. Furthermore, that the concept of Social Responsibility (SR), as it is more commonly used nowadays, be extended to all categories of stakeholders, i.e., investors, governments and civil society/communities, in recognition of the responsibilities that each and all should be assuming.
2. Consistent with the October 16, 2013 Throne Speech and the importance of human rights in international relations, the Canadian government play an even more proactive leadership role in combating corruption and in promoting human rights by contributing to actively devising tools that foster SR, e.g., the promotion and implementation of the so-called Ruggie Guidelines on Human Rights and Business<sup>1</sup>, the Extractive Industry Transparency Initiative (EITI), and enacting new laws, measures and enforcement regulations, if gaps exist.
3. The Canadian government promote more systematically the use of the recently updated International Finance Corporation (IFC) Performance Standards and the Equator Principles that have now gained fairly widespread acceptance in many countries.
4. The Canadian government assist developing countries in building capacity to manage more sustainably their extractive sector, monitor more effectively its activities, create effective grievance mechanisms and eventually prosecute egregious cases of environmental damage or destruction, in their jurisdictions. Also, the Canadian government continue to actively encourage and provide assistance to help developing countries design standards and other compliance assessment tools and pass clear laws to which investing companies would then be subject.
5. DFATD, in its evaluation of the current Canadian CSR Strategy on the extractive sector, examine the effectiveness of the Office of the Corporate Social Responsibility Counsellor with a view to strengthening its mandate and giving it a more proactive role in developing such tools and promoting effective grievance mechanisms at the national and project level.
6. The Canadian government re-enforce the whole-of-government approach to SR by transforming the existing Inter-Departmental Committee into a Task Force coordinated by a very senior public servant.

---

<sup>1</sup> The Guiding Principles on Business and Human Rights were developed by John Ruggie, former UN Special Representative of the Secretary-General on Business and Human Rights and endorsed by the UN Human Rights Council on June 16, 2011.

7. The Canadian government undertake a publicity campaign to sensitize the Canadian public and Canadian companies, domestically and abroad, on the importance of responsible corporate behaviour for the benefit of all stakeholders and the implementation of industry-generated tools such as the e3 Plus, developed by the Prospectors and Developers Association Canada and “Towards Sustainable Mining (TSM)” developed by the Mining Association of Canada.

# Canada and CSR in Africa: Policy Recommendations for a Business-Positive Strategy

## 1.0 Introduction

Corporate Social Responsibility (CSR) or Social Responsibility (SR) as it is more commonly used nowadays, has become a very topical issue around the world, particularly with the advent of globalization. Successive Canadian governments have made some effort to ensure that Canadian companies operating in developing countries demonstrate good and responsible corporate behaviour. Evidence suggests that much remains to be done, however, for Canada to adopt a more comprehensive and coherent SR strategy and to remain a leader in the field.

The purpose of this paper is to:

- (i) review and assess Canada's current stance on CSR issues;
- (ii) set out a rationale for Canada to adopt a more comprehensive and proactive SR strategy; and
- (iii) present recommendations for the Canadian government to show more leadership and play a more proactive role on SR.

## 2.0 What is CSR?

The World Business Council on Social Development, in its publication *Making Good Business Sense*<sup>2</sup>, defined CSR as “the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large”.

Stated differently, “CSR is about how companies manage the business processes to produce an overall positive impact on society”<sup>3</sup>. It is a “management concept whereby companies integrate social, cultural and environmental concerns in their business operations and interactions with stakeholders”. SR should be viewed and dealt with in a holistic manner as a set of responsibilities incumbent upon all stakeholders, governments, investors and civil society. Consequently, moving from the concept of CSR alone to the broader SR concept, affecting all categories of stakeholders, instead of limiting its actions to the corporate environment should be axiomatic to any new strategy.

Key issues related to SR include: anti-corruption measures, stakeholder engagement, indigenous rights, ethics and transparency, environmental protection, social equity, community development, respect for human rights, gender balance and good governance.

---

<sup>2</sup> World Business Council on Social Development, “Making Good Business Sense”, Lord Richard Holmes and Richard Watts, 2000.

<sup>3</sup> Mullen Baker, CSR, What Does It Mean? [www.mullenbaker.net](http://www.mullenbaker.net), 2004.

### 3.0 Importance of the Corporate Dimension of Social Responsibility

All major investors and companies mention that SR is important. The Canadian public has said and shown on numerous occasions that it is essential for Canadian companies to act in a way that Canadians recognise as responsible behaviour. In the past, the attention in Canada has been placed primarily on the extractive sector but significant investment in other natural resources such as fisheries and forestry as well as in other sectors is also growing, e.g., financial services, textiles, etc. Therefore, it is important for Canadian companies operating abroad in all sectors of the economy to adhere to high standards of socially responsible behaviour.

In today's business context, acting as a responsible corporate citizen means contributing to the well-being of society. Focusing on achieving sustainable development, engaging in dialogue with local NGOs and governments and building effective partnerships are only a few but inescapable ways of demonstrating a responsible approach to conducting business.

Canadians need to recognize that business and investment in Africa and particularly in sub-Saharan Africa (SSA) is increasing rapidly from all areas of the globe. Canadian companies need to be part of this opportunity for our own as well as developing countries' growth. Equally, the Canadian government needs to accept that politics and business go hand-in-hand; the positive reputation of our companies (and inversely) will affect our diplomatic leverage, trade negotiations, market access, and our image abroad. As such, Canada must have a proactive, business-positive strategy with regard to SR in Africa and cannot afford to ignore the issue, place it on the backburner or skirt it.

Another reason for Canada to play a large role in promoting the concept of social responsibility is that Canadian assets in African mining operations were estimated at \$26 billion in 2011. Not only should this give Canada potential clout, but Canadian involvement in the extractive sector and the mining sector, in particular, could also be an effective stimulus for sustainable economic and social development in Africa. For some countries with few other options or affected by conflicts, e.g., the Democratic Republic of Congo, the Sahel, natural resource development is one of a very few opportunities for any kind of durable socio-economic development to be generated.

Moreover, Canada has gained some relevant experience as it pertains to corporate and social responsibility writ large as well as technical and financial expertise. We have much knowledge to share abroad but we do not always do it well. One of the main weaknesses is the unequal and uneven commitment to stakeholder engagement. Canadian companies abroad are sometimes facing tensions with the local communities. Our companies should be a vector for the transmission of Canadian values, principal among them being respect, transparency and ethics, the use of participatory processes (multi-stakeholder), environmental and social sustainability. That should be part of their competitive advantage.

On that basis, our companies should be pursuing the creation of effective partnerships, a pre-condition for sustainable socio-economic development. In permanent interactions with the other categories of stakeholders, they should be adopting conflict prevention approaches and make the acquisition and the transfer of knowledge to the developing

country communities in which they work part of their leitmotiv. It is in their long-term interests to do so.

Finally, a new SR Strategy for Canada could be part of a Brand-Canada approach, essentially showing African clients that if you hire a Canadian firm, or sell them extraction rights, you will get world-class SR standards in the execution of projects.

#### 4.0 Canada's Current Stance on CSR

In March 2009, the Canadian government released a Strategy entitled "Building the Canadian Advantage for the Canadian International Extractive Sector". This Strategy was based on four pillars: (i) building host capacity to better manage environmental and social risk; (ii) promoting Canadian companies' adherence to international CSR performance norms; (iii) setting up within DFAIT the Office of the Extractive Sector CSR Counsellor; and (iv) supporting the development of a CSR Centre of Excellence outside of government to encourage best practices.

The current evaluation of the 2009 Strategy should identify the strengths and weaknesses of Canada's efforts on CSR. From the vantage point of the Africa Study Group, it would appear that the CSR Counsellor's Office in DFAIT is too small and the interpretation of its mandate too restrictive, including that of providing advice or assistance to developing country stakeholders. Furthermore, the CSR Centre for Excellence, a multi-stakeholder mechanism for cooperation between stakeholders in Canada and stakeholders abroad and created as a result of the CSR Strategy, did not benefit from an appropriate or proportional amount of support for its important mandate of sharing the knowledge so critical in promoting Social Responsibility. As a potential cornerstone to contributing to the effectiveness of the implementation of any new Strategy, particularly in African settings, the review of this important pillar should receive an appropriate level of attention.

In 2010, a Private Member's Bill C-300<sup>4</sup>, entitled *The Corporate Accountability of Mining, Oil and Gas Corporations in Developing Countries Act*, was narrowly defeated in Parliament. This Bill had the stated purpose to "ensure that corporations engaged in mining, oil and gas activities and receiving support from the Government of Canada act in a manner consistent with international environmental best practices and with Canada's commitment to human rights standards." (LEGISinfo, Parliament of Canada). It would appear that no further effort has been made since then to address the issue of corporate social responsibility in that sector.

Meanwhile, while Canada has actively supported and contributed to the Extractive Industries Transparency Initiative (EITI) and has served on the EITI Board, it has not signed onto EITI, largely because of the constitutional issues relating to provincial jurisdiction over extractive industries. A broader reason is the belief in Canada that EITI is not for countries such as ours where public accounts are already transparent but rather for countries where corruption and poor governance are deeply rooted. Thus, EITI reports would have no deterrent or corrective value in Canada. They would be a very expensive and not very effective way to encourage other countries to join in.

---

<sup>4</sup> Many witnesses appearing before a Parliamentary Committee maintained that the Bill C-300 was badly drafted and would have created a bureaucratic mess, in part because virtually anyone could launch a complaint and even the most frivolous complaint would require some degree of investigation.

Canada is a signatory to the *Rome Statute* and to the *UN Draft Code of Conduct for Transnational Corporations*. It has also ratified the *Criminal Law Convention on Corruption*, is an active participant in the *Kimberly Process Certification Scheme*, and the UN Global Compact, a complementary to the *Draft Norms on Responsibilities of Transnational Corporations and other Business Enterprises with Regard to Human Rights* – and as an OECD member, falls under the OECD Guidelines on Multinational Enterprises. Canada's CSR Strategy has also recognised the IFC Performance Standards on Environmental and Social Sustainability. Furthermore, in November 2012, the Canadian government announced that it was awarding Simon Fraser University and the University of British Columbia (UBC) a \$25 million grant to establish the Canadian International Institute for Extractive Industries and Development (CIIEID).

Canadian civil society has also been active in expressing its interest and concerns regarding Canadian corporations' behaviour abroad. Several cases including those of Niko Resources in Bangladesh<sup>5</sup> and the recent Barrick Gold coverage<sup>6</sup>, show the Canadian press' interest in the topic. Furthermore, several universities across Canada have either established institutes dedicated specifically to CSR and/or are making ethical investment courses compulsory in their business schools.

In addition to the many civil society organisations' activism on the topic (Inter Pares, Canadian Business for Social Responsibility (CBSR), Mining Watch, etc.), the North-South Institute (NSI) is currently conducting a study of the BRICS countries' modes of engagement in their extractive sectors and recently held a major forum in Ottawa on "Governing Natural Resources for Africa's Development".

Finally, the partnership between mining companies and several NGOs, e.g., World University Service Canada (WUSC), World Vision and Canada Plan provides ample evidence of the potential for proactive promotion of development in harmony with mining investment.

## 5.0 Why a CSR Strategy?

There are a number of reasons as to why Canada should develop a more comprehensive and proactive SR strategy. First, the Canadian government CSR Strategy released in 2009 was restricted to the extractive resources sector. While the extractive sector offers more holistic challenges than any other industrial sectors, this is too narrow a focus. Canadian companies operate abroad in various other important sectors of the economy, which could benefit from responsible approaches. In fact, several of the positive SR examples come from the textile and financial services industry.

---

<sup>5</sup> Niko Resources Ltd is a publicly-traded company with its headquarters in Calgary and a subsidiary in Bangladesh. On June 24<sup>th</sup>, 2011, the company plead guilty to bribing AKM Mosharraf Hossain, the then Bangladeshi State Minister for Energy and Mineral Resources, in order to influence the Minister in dealings with Niko Bangladesh. The company was fined more than 9 million Canadian dollars for breaking the Corruption of Public Officials Act and placed under the Court's supervision for three years.

<sup>6</sup> Barrick Gold Corporation is a publicly-traded company with its headquarters in Toronto and a subsidiary in Tanzania named African Barrick Gold. The company has recently been criticized for the running of its mines, leading it to create a Corporate Social Responsibility Advisory Board and to work closely with Canadian NGOs to better improve relations with communities around their mines.



Second, given Canada's stature on the international scene, the Canadian government should play a leadership role in all values associated with SR and, particularly, combating corruption, human rights abuses and environmental degradation.

Third, Canadian company investments in Africa have significantly increased over the last five years. While much of this increase has been in the mining sector, this is by far not the only sector. African markets have grown considerably and international involvement from all regions has skyrocketed. Africa is quickly being seen as *the new* growth market for the world. For example, South Africa, one of the BRICS countries, is itself investing globally including its companies expanding across SSA. With all this change and attention, Canada needs to start playing a more proactive role promoting SR.

Fourth, the role and mandate of the Office of the Corporate Social Responsibility Counsellor in DFATD needs to be strengthened so as to be more effective and more proactive.

## 6.0 Recommendations

It is recommended that:

1. DFATD explore the feasibility of broadening the coverage of a new strategy to encompass not only the extractive sector but also other sectors of the economy in which Canadian companies are investing abroad. Furthermore, that the concept of Social Responsibility (SR), as it is more commonly used nowadays, be extended to all categories of stakeholders, i.e., investors, governments and civil society/communities, in recognition of the responsibilities that each and all should be assuming.
2. Consistent with the October 16, 2013 Throne Speech and the importance of human rights in international relations, the Canadian government play an even more proactive leadership role in combating corruption and in promoting human rights by contributing to actively devising tools that foster SR, e.g., the promotion and implementation of the so-called Ruggie Guidelines on Human Rights and Business, the Extractive Industry Transparency Initiative (EITI), and enacting new laws, measures and enforcement regulations, if gaps exist.

There are already existing laws that can be used to prosecute criminal behaviour abroad<sup>7</sup>. These existing laws should be enforced, when applicable, as there can be no debate on the wrongness of companies committing international crimes and/or violating human rights here or abroad. No situation in a developing country justifies a Canadian company paying a bribe, any bribe, ever.

3. The Canadian government promote more systematically the use of the recently updated International Finance Corporation (IFC) Performance Standards and the Equator Principles that have now gained fairly widespread acceptance in many countries.

---

<sup>7</sup> Refer to Helene Dragatsi's publication, *Criminal Liability of Corporations for International Crimes*, Carswell (2011).

4. The Canadian government assist developing countries in building capacity to manage more sustainably their extractive sector, monitor more effectively its activities, create effective grievance mechanisms and eventually prosecute egregious cases of environmental damage or destruction, in their jurisdictions. Also, the Canadian government continue to actively encourage and provide assistance to help developing countries design standards and other compliance assessment tools and pass clear laws to which investing companies would then be subject.

Ivory Coast has set an example for illegal dumping<sup>8</sup> and the results of environmental damage in the Niger Delta are well known<sup>9</sup> in Nigeria. Such cases should be rare, with the majority of cases being tried via the laws of the host countries. The Department of Foreign Affairs Trade and Development (DFATD) and Environment Canada are already engaged in negotiations and knowledge sharing with several countries around the world. This should not only continue but be expanded.

5. DFATD, in its evaluation of the current Canadian CSR Strategy on the extractive sector, examine the effectiveness of the Office of the Corporate Social Responsibility Counsellor with a view to strengthening its mandate and giving it a more proactive role in developing such tools and promoting effective grievance mechanisms at the national and project level.

The broadening of the mandate of the Office of the CSR Counsellor should cover all sectors of the economy in which Canadian companies operate abroad, and not only the extractive sector. An expansion of its powers would include both carrots and sticks so as to entice both parties in a dispute to remain at the negotiating table until a settlement had been reached. The Office should not act as a court of law, which it is not, but rather as an avenue for negotiation with the objective of encouraging public settlements between the concerned Parties.

6. The Canadian government re-enforce the whole-of-government approach to SR by transforming the existing Inter-Departmental Committee into a Task Force coordinated by a very senior public servant.

The Task Force would be chaired by a senior public servant and include members from DFATD, Environment Canada, Natural Resources, Health Canada, the Export Development Canada, the RCMP and other government departments and agencies, as required. This approach would oblige government Departments to work together in coordination with a view to improving their governance mechanisms.

---

<sup>8</sup> Trafigura Beheer BV is a publicly-traded company with its headquarters in Switzerland. In August 2006, Trafigura chartered a Panamanian ship, the Probo Koala, to offload its toxic waste water. The ship dumped this waste in and around the city of Abidjan, causing at least 16 deaths and possibly resulting in 100,000 Ivoirians seeking medical attention. In 2009, Trafigura settled out of court to a class-action lawsuit in the UK by 30,000 Ivoirians, each of whom will receive \$1,546 USD in compensation. This is in addition to the company having paid \$200 million USD to the Ivoirian government in 2007.

<sup>9</sup> For an extent of the damage caused by oil leaks and improper oil extraction, see the UNEP report entitled *Environmental Assessment of Ogoniland*.

7. The Canadian government undertake a publicity campaign to sensitize the Canadian public and Canadian companies, domestically and abroad, on the importance of responsible corporate behaviour for the benefit of all stakeholders and the implementation of industry-generated tools such as the e3 Plus, developed by the Prospectors and Developers Association Canada and “Towards Sustainable Mining (TSM)” developed by the Mining Association of Canada. Staff in Canadian Embassies, High Commissions and Consulates abroad should be trained systematically on the Canadian government approach to SR.