

CORPORATE SOCIAL RESPONSIBILITY (CSR) IN GEOTHERMAL DEVELOPMENT: THE CASE OF THE GEOTHERMAL DEVELOPMENT COMPANY (GDC), KENYA

Ruth Musembi

*Geothermal Development Company Ltd -P. O. Box 100746 -00101, Nairobi
rmusembi@gdc.co.ke*

ABSTRACT

The World Business Council for Sustainable Development defines corporate social responsibility as the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce, their families, the host community and the society at large. Having been in operation for over a year now, GDC has developed a CSR policy and strategy that focuses on five areas: education; economic empowerment, environmental management; health and sanitation; and arts, culture & sports.

Our community investment programme aims at creating a symbiotic relationship between GDC and host communities geared towards improving their quality of life. The GDC CSR model entails empowering communities to utilize local resources for improved livelihoods. communities will benefit from GDC's presence as well as from the direct utilization of geothermal resources where applicable. In order to ensure that we continuously maintain GDC's brand visibility, GDC sponsors worthy causes in the society, not necessarily within our areas of operations. Such include support to deserving educational cases, promotion of professional advancement or co-sponsoring strategic initiatives. In all cases sponsored projects fall within GDC's CSR focus areas. GDC recognizes the need to deliver services in an environmentally sustainable manner. The company has developed a strategy to safeguard the environment. In most of the geothermal areas in Kenya, the environment has been degraded and trees have been cut, leaving the soil bare and open to erosion. GDC is engaging in rehabilitation of forest cover in water catchment areas and in and around geothermal sites. Overall, GDC is committed to undertaking its operations in a sustainable manner. With regard to workplace practices, GDC recognizes employees as the Company's most important asset and promotes equal employment practices, gender equity, and health and safety, and offers a competitive pay and benefits package.

INTRODUCTION

I recently bumped into this quote, "Geothermal fuel - like the sun and the wind - is always found where the power plant is. Therefore, economic benefits remain in the region..." At the Geothermal Development Company (GDC) in Kenya, we intend to share the benefits of geothermal development with our host communities by creating a symbiotic relationship between GDC and host communities. CSR is an important activity to any businesses nationally and internationally. The term is often used interchangeably with other terms such as Corporate Citizenship and Corporate Social Investment (CSI). It is also linked to the concept of Triple Bottom Line Reporting (TBL), used as a framework for measuring a company's performance against economic (profits), social (people) and environmental (planet) parameters. The World Business Council for Sustainable Development defines CSR as the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce, their families, the local community and the society at large. The key elements of corporate social responsibility include:

- i. **Responsibility for good corporate governance and ethical business practices** –compliance with national and international laws, regulations and standards; efforts to prevent bribery and corruption; and the establishment of a code of conduct that ensures that the company goes beyond legal compliance.
- ii. **Responsibility for people** – This includes product and employee safety programmes to ensure that consumers and people involved in the sourcing, production and distribution of products are not placed at risk; safeguarding human and labour rights which may include equal opportunities, non-discrimination, prevention of child labour, freedom of association and fair wages within the workforce and fairness along supply chains.
- iii. **Responsibility for environmental impacts** –maintaining environmental quality, adopting clean and eco-efficient business processes, sharing environmental technologies and engaging in addressing environmental challenges such as climate change and biodiversity protection.
- iv. **Responsibility for communities** – efforts to contribute to broader social and economic benefits in host communities, for example: building local business linkages; increasing access to essential products and services for poorer communities, such as credit, farming technology, water, energy, medicines,



education, information technology; and so on. These contributions to development should be part of a company's core business operations.

THE BUSINESS CASE FOR CSR

In today's tough business environment no company can afford to undertake CSR without consideration of its value in meeting corporate objectives. Critics of CSR wonder why a company should spend its resources to fund CSR activities. Others argue that profitability and good corporate citizenship are mutually exclusive. To the contrary, there is growing evidence that by doing business in a socially responsible manner, companies can greatly enhance stakeholder relationships thereby obtaining a "license to operate" and support for the company's business goals, leading to profitability. In the long run the company earns great monetary and non-monetary benefits. A company can incur huge losses by "getting it wrong" in terms of economic, social and environmental performance yet there exist business and societal benefits of "getting it right."

Well designed CSR programmes can reap immense mutual benefits by:

- i. improving relationships and goodwill with the community
- ii. enhancing business performance and the company's long-term survival
- iii. enhancing corporate brand visibility and a caring image of the company
- iv. contributing to government's poverty eradication programmes
- v. providing opportunities to build relationships with partners

THE GDC CSR POLICY STATEMENT

At GDC we have adopted the World Business Council for Sustainable Development definition of CSR as the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce, their families, the local community and the society at large. The key elements of corporate social responsibility include:

Our CSR programmes go beyond philanthropy and entail taking responsibility for four key elements of CSR: responsibility for good corporate governance and ethical business practices; responsibility for people; responsibility for environmental impacts; and responsibility for communities. The GDC CSR policy is guided by the following principles:

- i. **Corporate Alignment** – All our CSR activities are aligned with business plan which is aligned with national priorities as outlined in Vision 2030.
- ii. **Management Commitment**- At GDC considers CSR is core business. The CSR committee is chaired by the Chief Executive Officer with a budget allocated annually.
- iii. **Good corporate governance and ethical business practices** – Our operations comply with national and international laws, regulations and standards; we have established a code of conduct that ensures that GDC goes beyond legal compliance
- iv. **Sustainability** - We focus on initiatives that contribute to capacity building and improved quality of life. CSR projects are implemented in such a manner as to ensure that the beneficiaries are able to sustain the ongoing viability of the project;
- v. **Community Involvement & Partnerships** – We build relationships with host communities and ensure that communities and beneficiaries of CSR projects are actively consulted in the process of project selection, implementation and evaluation. In the planning and execution of CSR projects, GDC may partner with reputable organizations capable of generating mutually beneficial brand visibility and capacity building outcomes;
- vi. **Environmental responsibility** - GDC undertakes its operations in a manner that safeguards the environment;
- vii. **Responsibility for people/employees** - GDC ensures employee safety at work; fair wages/benefits; safeguards human & labour rights and ensures fairness along supply chains
- viii. **Quick-Win Sponsorship** - In order continuously maintain GDC's brand visibility, we sponsor worthy causes in the society; not necessarily within our areas of operations. Such include supporting deserving educational cases, promotion of professional advancement or co-sponsoring strategic initiatives. However, the proposed projects must fall within GDC's CSR focus areas;
- ix. **Professional approach to CSR** – Officers with CSR responsibilities are trained and exposed to exchange programmes, conferences and workshops in order to enhance their capacity.
- x. **Continuous improvement** – GDC monitors CSR performance against set targets for improvement.

GDC'S CSR APPROACH

In line with this CSR policy, the corporate planning and budgeting process makes provision for resources required for the implementation CSR activities. In the current budget, a substantial sum has been set aside for implementing initial projects. Lessons learned from this year's experience will form the basis for an enhanced budget next year. We have engaged stakeholders to understand their expectations on the issues most important to them, and we have mapped these against our business priorities. We are in the process of selecting appropriate CSR programmes for the first year.

At the corporate level, the PR and Communication department has the ultimate responsibility for coordinating, and providing advice and guidance on CSR matters. The Manager, PR and Communication develops an annual work plan that is presented to the CSR Committee for approval.

Area managers champion CSR projects in their areas. In conjunction with the Environment, Safety and Community Liaison department, they propose suitable projects, develop a budget and present it to the Manager, PR and Communication for compilation. All proposed projects are guided by the approved corporate CSR policy and guidelines.

Project proposals are appraised on a monthly basis by a CSR sub-committee comprised of the PR and Communication (PRC), Environment, Safety and Community Liaison (ESCL) departments and a representative of the Area where the project will be implemented. The appraisal report is then tabled with recommendations to the CSR committee for approval.

Area Managers, in collaboration with Community Liaison Officers, supervise the implementation of the approved CSR projects to ensure successful implementation. They submit regular reports for inclusion in the CSR annual report.

This policy is communicated to staff and will reviewed every two years. The PR and Communication department will annually document progress towards CSR targets and objectives, and include it in the corporate annual report which will be published and made widely available to staff and stakeholders.

The Manager, Internal Audit is responsible for monitoring the compliance and effectiveness of CSR measures, as part of ongoing internal audit programme.

GDC'S CSR FOCUS AREAS

Education

GDC supports education for children in the areas where we operate. Our support may include infrastructure development such as the establishment of model schools through the rehabilitation of existing educational institutions or establishing new ones as the case may be; provision of school equipment and supplies; or support for school feeding programmes for children in hunger spots using locally produced foods. We also educate parents on the benefits of education particularly among nomadic communities. We believe that these efforts will contribute towards the Millennium Development Goal two (2) of achieving universal access to primary education by 2015.

Economic empowerment

We focus on income generation and job-creation projects, with the primary focus on youth and women. Some initiatives may include improving food productivity through technology transfer such as the replenishment of soil nutrients for smallholder farmers on lands with nutrient deficient soils, through distribution of fertilizers and seeds.

We also encourage communities to form cooperatives through which they may supply products to our rig camps and offices. Through our feeder roads we are improving food transport to local markets thus ensuring trade links to urban markets. We will assist communities establish drying and storage systems to ensure food produce do not go to waste.

We will diversify economic activity in rural areas by encouraging fish farming and eco-tourism through the establishment of community-managed heated spas, hotels, golf course, and touristic sites all utilizing geothermal resources.

Our choice of this focus area is in line with the Millennium Development Goal one (1) on the eradication of extreme poverty and hunger by 2015 that creates the imperative for all sectors - corporate, civil society and government - to collaborate in income generation, food security, job creation and poverty alleviation initiatives.

Environmental Management

Reducing our impact on the environment is a priority. We recognise the need to deliver services in an environmentally sustainable manner (MDG 7) and to include concern for the environment in all our activities. By reducing waste in our business processes, we will as well reduce operational costs and increase profits.

GDC therefore:

- **Promote office energy efficiency** through initiatives such as fitting timer switches to ensure lights are not left on overnight, adding movement and daylight sensors to ensure lights are only on when needed, installing energy-efficient bulbs, fitting flow restrictors to water taps, and maximising natural light in our buildings,
- **Practise sustainable IT-** Personal and network IT equipment account for a large proportion of our energy use. GDC will cut the energy used by ensuring that power management features are enabled on all IT equipment,
- **Manage print waste** by combining copiers, printers and scanners in one device; removing printers from desks to a central location and minimising the number of printers in use; implementing default settings to save energy, ink, toner and paper (e.g. double-sided printing and black and white settings); reduce waste in procurement of ink, toner and paper, and where possible negotiate recycling arrangements with manufacturers of ink and toner cartridges,
- **Increase forest cover** by establishing tree nurseries, re-planting degraded areas and water catchments as well as supplying tree seedlings to communities.
- **Undertake environmental awareness projects** (e.g. clean-ups, awareness campaigns etc)
- **Get involved in disaster relief programs** (e.g. community assistance during floods, drought relief etc)

Water and Sanitation

Clean water not only sustains life but prevents water-borne diseases. GDC supports the rehabilitation of water pans or sinking of boreholes to ensure supply of clean water for the communities. GDC will also support projects aimed at rain water harvesting in schools and health centers.

With regard to health, GDC will facilitate local communities' access to affordable health care. This will include free distribution of bed nets and anti-malaria medicine for all children in areas with malaria as well as access to the GDC clinics within our rig camps. We will also promote the "ABCs" of HIV/AIDS management.

Preservation of Art, Culture and Sports

GDC works with communities to enhance sports, arts and culture. Such initiatives may be used to foster peace between communities and competitiveness among schools. GDC may sponsor sporting events for the aim of enhancing our brand visibility and for fundraising in support of CSR projects, sports, arts and culture in our areas of operation.

MONITOR AND EVALUATION OF PROJECTS

Annual audit of projects will be conducted to assess project implementation and determine adherence to stated objectives. Deliverables and conditions of significant funding will be agreed with the beneficiaries. Direct periodic contacts will be maintained with the project beneficiaries to assess their development impact.

CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

The CSR Committee is established to administer the CSR policy. It approves the annual CSR work plan and receives quarterly reports on progress made. However, quick-win sponsorships are approved administratively by the Managing Director/CEO. The CSR committee is made up of all heads of departments and is chaired by the Managing Director/CEO.

Annexes

FUNDING GUIDELINES

GDC funds projects that are to be implemented in Kenya by legally constituted and registered community based organizations (CBO) or non-governmental organizations working within our areas of operation. Funded

CBOs/NGOs must have strategic partnerships with community leaders and administration in order to ensure community buy-in.

GDC defines a project as a set of activities organized in response to an identified need that aims to achieve specific objectives within a specific time frame and budget which leads to sustainability.

Eligible organizations will submit proposals in the prescribed format to the GDC headquarters or Area offices by post or via email. Applications forms are available in GDC offices or they may be downloaded from the GDC website www.gdc.co.ke. Applications for funding will follow the prescribed format. Received applications will be acknowledged within 10 working days of receipt and a decision taken within three (3) months of acknowledgement. The proposals will be structured as follows:

PROJECT PROPOSAL FORMAT

- **Project name**
A statement of the name of the project, the organization implementing the project, contact person and contact information: physical address, postal address, phone number and email address.
- **Project background and executive summary**
This is a brief overview and summary of the project. It should provide a credible statement that describes your organization and establish the significance of the project.
- **Problem statement**
A statement of the need/challenges identified the rationale for addressing these challenges and the conditions to be changed by the project.
- **Project objectives**
A description of the intended outcome of the project stated in a SMART manner (Simple, Measurable, Accurate, Realistic and Time Bound). The proposal must also indicate what difference the project will make.
- **Strategic fit into GDC's CSR key focus areas**
A statement of how the project fits into one or more of the GDC's five CSR focus areas.
- **Project implementation plan**
A description of the project implementation activities, stakeholders' participation, and partners involved in the implementation, if any.
- **Beneficiaries**
A statement of the direct beneficiaries of the project and a description of what difference is envisaged in their lives.
- **Timeframe**
An indication of how long the project is going to last from inception to successful completion.
- **Detailed costing**
An indication of the total cost of the project and a detailed budget.
- **Sustainability**
An indication of how the project will sustain itself beyond GDC's intervention after the funding period.
- **Impact of GDC's intervention**
A description of the multiplier effects through jobs to be created, skills to be developed, increased utilization of and market for local resources etc.
- **Evaluation**
A statement of how the project implementers will determine if the objectives of the project have been met and a statement of the people to be involved in the project evaluation.

CRITERIA FOR APPRAISAL OF PROPOSALS

Project proposals are appraised on a monthly basis by CSR sub-committee comprised of the PR and Communication (PRC), Environment, Safety and Community Liaison (ESCL) departments and a representative of the Area where the project will be implemented. The appraisal report is then tabled with recommendations to the CSR committee for approval. The funded projects must meet the following criteria:

- GDC funds projects in any of our five (5) focus areas: Education; Improved Livelihoods, Environmental Management; Health and Sanitation; and Arts, Culture & Sports.

- Projects funded must have a developmental approach that is intended to build capacity in communities and should eradicate dependency;
- Projects should take an affirmative approach bias with women, and the youth getting priority;
- Individuals may not be funded. Funding must benefit a wider community or groups with common objectives and purpose;
- Partnerships with other businesses, government and communities are encouraged, while promoting GDC's identity for its interventions;
- Funding agreements must outline expectations and deliverables on both sides (GDC will enter into a formal agreement – standard forms to be developed) and
- The process of allocating funds and grants must be open and transparent (grant application forms to be made available to all applicants).

REFERENCES

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The PR and Communication department and the Community Liaison team at GDC.